United Nations A/57/416/Add.1

General Assembly

Distr.: General
30 September 2002

Original: English

Fifty-seventh session
Agenda item 110
Financial reports and audited financial statements, and reports of the Board of Auditors

First report on the implementation of the recommendations of the Board of Auditors by the United Nations funds and programmes for the financial period ended 31 December 2001*

Report of the Secretary-General

Addendum

Summary

The present report contains responses from 12 United Nations funds and programmes and the International Tribunals for Rwanda and the Former Yugoslavia. It supplements the comments already submitted to the Board of Auditors, which were included in the Board's final reports to the heads of the respective funds and programmes.

In the vast majority of cases, the Administrations have concurred with the Board's recommendations and have proceeded to implement them where appropriate. In other cases they have begun putting measures in place to ensure that the recommendations of the Board are implemented within a reasonable time frame.

* The present report is being submitted after the deadline due to the need for extensive consultation with the various funds and programmes.

02-61241 (E) 301002

Contents

Chapter		*Paragraphs*	*Page*
I.	Introduction	1–2	3
II.	Replies from United Nations funds and programmes	3–784	3
	A. International Trade Centre UNCTAD/WTO	3–15	3
	B. United Nations University	16–50	4
	C. United Nations Development Programme	51–168	6
	D. United Nations Children's Fund	169–301	15
	E. United Nations Relief and Works Agency for Palestine Refugees in the Near East	302–369	23
	F. United Nations Institute for Training and Research	370–390	27
	G. Voluntary Funds administered by the United Nations High Commissioner for Refugees	391–438	28
	H. Fund of the United Nations Environment Programme	439–465	33
	I. United Nations Population Fund	466–555	35
	J. United Nations Habitat and Human Settlements Foundation	556–571	40
	K. Fund of the United Nations International Drug Control Programme	572–615	41
	L. United Nations Office for Project Services	616–662	44
	M. International Tribunal for Rwanda	663–721	47
	N. International Tribunal for the Former Yugoslavia	722–784	51

I. Introduction

1. The present report is submitted to the General Assembly in accordance with paragraph 7 of its resolution 48/216 B of 2 December 1993, whereby it requested the executive heads of the United Nations funds and programmes to provide the Assembly, at the same time as the recommendations of the Board of Auditors were submitted to it, through the Advisory Committee on Administrative and Budgetary Questions, with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

2. The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of the organizations and programmes, namely, the International Trade Centre UNCTAD/WTO (ITC), the United Nations University (UNU), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Institute for Training and Research (UNITAR), the voluntary funds administered by the United Nations High Commissioner for Refugees, the Fund of the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Habitat and Human Settlements Foundation, the Fund of the United Nations International Drug Control Programme (UNDCP), the United Nations Office for Project Services (UNOPS), the International Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia. These responses relate to the recommendations of the Board of Auditors in its reports for the period ended 31 December 2001.

II. Replies from United Nations funds and programmes

A. International Trade Centre UNCTAD/WTO

3. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on ITC for the biennium ended 31 December 2001[1] is described below.

4. **In paragraph 9 (a) of its report, the Board recommended that ITC amend note 2 (j) (iii) to the financial statements in the future so as to reflect the accounting treatment of contributions receivable for future years.**

5. The financial statements of ITC are subject to the Financial Regulations and Rules of the United Nations and are submitted by the United Nations Controller to the Board of Auditors. ITC therefore must prepare its financial statements in accordance with the guidelines received from the Controller. The matter has been referred to the Controller, who will address the matter on behalf of the United Nations Secretariat.

6. The responsibility for implementing the recommendation lies with the Controller of the United Nations.

7. **In paragraph 9 (b), the Board recommended that ITC conduct its planned review of the outstanding requirements of the Corporate Management Information System (CMIS), determine a cost-efficient monitoring system and reach a formal decision on the two CMIS modules put on hold.**

8. The consolidated review was initiated in July 2002 taking into account additional reporting requirements faced by ITC. Incrementally, more facilities of CMIS are being used. The review is expected to be completed by the end of the first quarter of 2003. The Senior Management Committee will then take a decision during the second quarter of 2003.

9. The responsibility for implementing the recommendation lies with the Director, Division of Programme Support.

10. **In paragraph 28, the Board recommended that ITC further streamline the management of its projects and particularly file and update summary financial progress report tables of amounts received and paid.**

11. ITC will look into the possibility of developing automated reports from the United Nations Office at Geneva's current general accounting system, taking into account that it will be replaced by the Integrated Management Information System (IMIS) during the first half of 2003. Considering the cost, ITC will determine whether reports that could be recycled in 2003 using IMIS data could be developed or whether to start developing such reports to be moved to production after the implementation of IMIS.

12. The responsibility for implementing this recommendation lies with the Chief of the Financial Management Section, Division of Administration.

13. **In paragraph 33, the Board encouraged ITC to continue to streamline its database of administrative instructions.**

14. ITC has begun consultations with United Nations Headquarters. A review by Headquarters of the delegation of authority and the incremental publication of all administrative issuances applicable to ITC is ongoing. The project to review administrative issuances issued before the end of 2001 by the United Nations Secretariat to determine their applicability to ITC and the publication of the applicable issuances are expected to be completed by mid-2004. The revised delegation of authority is expected to be completed as a joint effort by the Department of Management and ITC by the end of 2003.

15. The Director, Division of Programme Support, is responsible for implementing the recommendation.

B. United Nations University

16. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on UNU for the biennium ended 31 December 2001[2] is described below.

17. **In paragraph 10 (a), the Board recommended that UNU consider existing resources in deciding to establish additional research and training centres.**

18. The impact of new research and training centres and programmes on UNU financial and human resources is an issue that is reviewed jointly with the UNU Council. The Council will establish new centres or programmes only when sufficient resources are made available by the host Governments for their work. If sufficient funding is not available, the Rector would recommend to the UNU Council the closing of such centres or programmes. Such a situation should not, however, preclude the establishment of new centres or programmes that have assured long-term funding.

19. A document setting out a specific policy and criteria for the establishment of research and training centres and programmes and other initiatives of the University was considered and adopted by the UNU Council at its forty-eighth session, in December 2001. All future proposals for new centres and programmes will include a detailed analysis of the implications (financial and otherwise) of establishing the new centre or programme within the existing resources available to the University.

20. The Senior Officer in the Office of the Rector is responsible for implementation of the recommendation.

21. **In paragraph 10 (b), the Board recommended that UNU review and verify the track record of a contractor for any fund-raising activity, especially that which calls for the creation of a trust outside of the organizational structures of UNU, and assess the financial condition of the International Network for Water, Environment and Health (INWEH) to determine if it is still capable of financing its own operations.**

22. The UNU Council and UNU management have decided not to enter into any additional fund-raising campaigns of this type. A number of fund-raising activities are being continued, at no cost to UNU, in an effort to recover some or all of the money spent on the campaign. UNU management and the UNU Council are very much aware and concerned about the financial situation of INWEH. The issue of assured long-term funding is being raised at high political levels in the donor Government, and UNU management is cognizant that, without assured long-term funding, it will be necessary to close down INWEH. In that regard, the financial situation of the Network will be discussed with the UNU Council at its forty-ninth session, in December 2002.

23. The Senior Officer in the Office of the Rector is responsible for implementation of this recommendation.

24. **In paragraph 10 (c), the Board recommended that UNU prepare the budget and record expenditures per project and per object of expenditure and accordingly enter the data in the Financial, Budgetary and Personnel Management System, and enhance the System to allow it to reject obligations in excess of allotments at the time of data entry.**

25. UNU management will continue to examine ways to prepare budget and expenditure records University-wide by both project and object of expenditure and will consider the possibility of enhancing the System in relation to allotments. Such consideration will,

however, need to take into account the need to maintain the flexibility of the System and to keep to a minimum the cost required for additional modifications to the system.

26. A review of the System and the cost implications of modifying it will be undertaken. If the review is positive, implementation will be pursued during the current biennium.

27. The Chief of Finance is responsible for implementation of the recommendation.

28. **In paragraph 10 (d), the Board recommended that UNU initiate a system-wide policy to include the salaries of researchers in costing projects and adopt an allocation ratio in the event that a researcher works on several projects.**

29. UNU management will continue to study the issue and, in reviewing the total cost at the conclusion of a project, will seek to include the salaries of researchers in costing projects and to adopt an allocation ratio in the event that a researcher works on several projects, and will develop a system-wide policy to that effect. A policy will be developed and implemented during the biennium.

30. The Chief of Finance is responsible for implementation of the recommendation.

31. **In paragraph 10 (e), the Board recommended that UNU ensure that the research and training centres and programmes prepare their budgets in a manner that would allow the projects to accumulate expenditures by project and by object of expenditure and utilize the capability of the Financial, Budgetary and Personnel Management System for that purpose, and that it provide the academic staff with read-only access to the System with respect to the fund balances on their respective projects.**

32. The Administration will continue to examine ways to prepare budget and expenditure records University-wide, both by project and by object of expenditure, and it will consider the possibility of enhancing the Financial, Budgetary and Personnel Management System in relation to allotments by December 2003. The review will seek to facilitate budget execution, monitoring and proper budget discipline. Such consideration will, however, need to take into account the need to keep to a minimum the costs required for additional modification of the system.

33. The Director of Administration is responsible for implementation of the recommendation.

34. **In paragraph 10 (f), the Board recommended that UNU review the standard number of projects that every academic officer should handle, taking into account the magnitude of each project to ensure that quality time and effort are devoted to individual projects during implementation and, in addition, to peer review of outputs, enhance quality control by monitoring data on book sales, book reviews and quotations through the UNU Press.**

35. UNU management agrees that it would be useful to come to a better understanding of the optimal number of projects and/or the magnitude of project activity that each officer should handle. Indeed, the need to generate products of high quality and to produce substantial quantity of output has to be balanced. The feedback mechanism to determine quality of output can be strengthened by allowing the UNU Press to collect statistical data on book sales, book reviews and quotations.

36. UNU will analyse the existing distribution of projects among programme officers with a view to establishing the optimal number of projects and/or the magnitude of activities being handled by each officer. The UNU Press will be instructed to collect and assemble data on book sales, book reviews and quotations and to prepare periodic analytical reports for consideration by management, which would assist in determining the quality of UNU academic outputs.

37. The Vice-Rector, Peace and Governance, is responsible for implementation of the recommendation.

38. **In paragraph 10 (g), the Board recommended that UNU obtain a higher number of qualified applications to improve its chances of getting the best fellows and, at the same time, obtain its targeted number and the required geographic representation within the available resources.**

39. Consideration of geographic representation and gender balance, as well as the need to ensure the highest possible quality of the final candidate, meant that the first target number of fellowships could not be awarded in a particular year. With the human and financial resources available at the UNU Centre, UNU management depends on close partnerships with other

academic institutions to attain its capacity-development goals. Web-based information on capacity-development programmes has improved accessibility to this information by potential applicants. UNU management will continue to seek to increase the number of applicants for UNU fellowships.

40. UNU will communicate through site visits to cooperating institutions that are wholly or partially responsible for identifying prospective fellows for other programmes the need to increase the application pool wherever possible, and will explore with them means of increasing the visibility of fellowship opportunities. UNU has already made improvements to the web site, which provides information on its capacity-development programmes.

41. The Rector is responsible for implementation of the recommendation.

Status of implementation of the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1999[3]

42. **In paragraph 10 (d), the Board recommended that UNU ensure that, in accepting new projects, it secure sufficient staff resources to manage the projects.**

43. Programme heads continue to ensure that sufficient funding for necessary staff resources is included in the budget for new projects. Once funding has been secured, the recruitment of appropriate project personnel is undertaken. A specific policy will be developed and implemented by January 2003 that will allow new projects to be initiated only when sufficient staff resources to manage the projects are available.

44. The Senior Officer in the Office of the Rector is responsible for implementation of the recommendation.

45. **In paragraph 10 (e), the Board recommended that UNU prepare in advance annual procurement plans to ensure competitive bidding for goods and services.**

46. The Administration continues to monitor major recurring expenditures for computer items. An annual procurement plan will be prepared by January 2003.

47. The Director of Administration is responsible for implementation of the recommendation.

48. **In paragraph 10 (f), the Board recommended that UNU adhere to the procedures for tendering as laid down in the Procurement Manual for purchases under $25,000, as well as for purchases in excess of $25,000.**

49. The recommendation was discussed with representatives of the United Nations Secretariat and, consequently, tendering procedures are now in compliance with the recommendation. A request for quotation is issued for purchases below $25,000. An instruction has been issued to create a page on the UNU web site containing the invitation to bid for purchases in excess of $25,000 in lieu of placing newspaper ads and posting information in public forums. The project is expected to be completed within the next few months.

50. The Director of Administration is responsible for implementation of the recommendation.

C. United Nations Development Programme

51. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on UNDP for the biennium ended 31 December 2001[4] is described below.

52. **In paragraph 16, the Board recommended that UNDP monitor its financial position and continue to adopt measures to ensure that it maintains a healthy fund balance for its regular resources.**

53. UNDP continuously and prudently manages the financial position of its regular resources through a comprehensive allocation and monitoring system that is strictly enforced. Regular resource allocations are made only in accordance with decisions taken by the Executive Board, and the amounts actually released are always in line with the best estimates of resource availability. Prior to their release, expenditure ceilings are negotiated and established centrally between country offices and other programme managers responsible for programmes at the headquarters level, based on evolving income levels.

54. The budgetary build-ups required to attain expenditure targets are also closely monitored. Early warning systems are in place whereby preventive action can be taken if a programme appears to be in danger of exceeding its established target. In extreme

cases where immediate action is not taken, the approval authority of the resident representative or programme manager would be revoked. All this having been said, while there has been a turnaround in regular resource contributions in 2001, the current low level of regular resources remains a challenge for UNDP.

55. **In paragraph 23, the Board recommended that UNDP monitor the financial position of the funds administered by it to ensure that it maintains healthy fund balances.**

56. UNDP does exercise oversight over the funds administered by it. The oversight mechanism includes regular reviews and meetings between relevant UNDP budget/finance staff and the management of the respective funds.

57. UNDP agrees with the overall comments of the Board on the financial position of the regular resources in the United Nations Capital Development Fund. Since the last biennium, the Fund, led by the Executive Secretary, has made intensive efforts to reverse the decline in contributions to regular resources. It is important to note that this reduction continued despite the addition of four new countries members of the Organisation for Economic Cooperation and Development Development Assistance Committee on the list of Fund contributors. The decrease is attributable to adverse exchange rates, as well as one donor's withdrawing from providing core funding and another major donor's reducing significantly its contribution to core resources for burden-sharing reasons.

58. Internally, intensive efforts are being made to monitor the situation in order to reduce programme expenditures at a level commensurate with income. The level of new approvals has been reduced even below the level authorized under the partial funding formula so as to ensure that the liquid reserves are sufficient to cover expenditures in the rather unstable situation with regard to core funding. Furthermore, in 2002, the Fund, given that actual core contributions were lower than anticipated, had to re-phase a portion of expenditures that were supposed to be incurred the same year. Should there be no improvement in the core contributions, the Fund will continue its re-phasing exercise in 2003, as well as further reducing new approvals. A comprehensive review of the United Nations Capital Development Fund programme commitments is ongoing with a view to identifying projects that could either be terminated or scaled down.

59. UNDP monitors the fund balances of the United Nations Development Fund for Women (UNIFEM) by reviewing the Fund's financial statements and the semi-annual calculation of the operational reserve. UNIFEM fund balances and operational reserve increased for the biennium ended 31 December 2001.

60. **In paragraph 35, the Board recommended that UNDP: (a) review its headquarters non-expendable equipment inventory in a cost-effective manner to ensure that it provides realistic valuations in accordance with the United Nations system accounting standards; (b) closely monitor the annual country office inventory returns; and (c) implement stricter measures to ensure that all returns are received on time.**

61. UNDP agrees with the recommendations. The valuation of the inventory will be reviewed to arrive at a more realistic non-expendable equipment inventory value. This will include the actual cost of the equipment based on purchase orders and the replacement values. UNDP expects to arrive at a decision by December 2002 on how to provide realistic valuations in accordance with the United Nations system accounting standards. Follow-up with the country offices commenced in September 2002, and action will be taken to resolve the technical problem country offices are encountering with the inventory system before the end of the year to ensure more timely returns.

62. The Director of the Administrative Services Division, Office of Finance and Administration, is responsible for implementation of the recommendation.

63. **In paragraph 136, the Board recommended that UNDP intensify its efforts to develop and maintain a suitable inventory control system in compliance with the financial rules and other directives.**

64. Work on replacing the headquarters inventory system has already taken place over the past two years. Pending the implementation of the enterprise resource planning system, and as an interim solution, UNDP is utilizing the Aperture inventory system. A limited number of features have been added to the current functionality of the Aperture system, including custody

and disposal, which will contribute to enhancing controls; they will be in place by December 2002.

65. The Director, Administrative Services Division/Office of Finance and Administration, is responsible for implementation of the recommendation.

66. **In paragraph 38, the Board recommended that all bank accounts be reconciled and a formalized procedure be implemented for the review of material bank account reconciliations.**

67. On a monthly basis, the Chief of the General Accounting Unit reviews the reconciliation and a copy is forwarded formally to the Treasury Section for follow-up action on the reconciling items.

68. **In paragraph 51, the Board recommended that UNDP continue its efforts with regard to the lack of information provided by donors when paying contributions in order to further reduce the amount of unidentified receipts.**

69. The implementation of Internet banking at UNDP country offices and the simultaneous decentralization of United States dollar cost-sharing contributions to UNDP country offices has continued during 2002. To date, Internet banking facilities have been introduced in 66 country offices and will expand to approximately 100 country offices by the end of the year. All remaining country offices are expected to have the facilities by the end of 2003. In addition, the Treasury Division will allocate additional resources towards the investigation and resolution of unidentified receipts, which still are paid directly to headquarters bank accounts.

70. The Treasurer, Office of Finance and Administration, Bureau of Management, is responsible for implementation of the recommendation.

71. **In paragraph 60, the Board recommended that a complete ageing of accounts receivable be regularly reviewed with a view to collecting long-outstanding amounts, and UNDP agreed.**

72. The Comptroller's Division expects to provide an ageing analysis once the planned implementation of its new enterprise resource planning system is completed.

73. **In paragraph 62, the Board recommended that UNDP, in conjunction with the United Nations and other funds and programmes, review the funding mechanism and targets for end-of-service benefits to provide for the full estimated liability.**

74. Discussions will be held in 2003 about the funding mechanism and targets to provide for the full estimated liability for end-of-service benefits. However, until a combined decision is made, UNDP will continue to provide for an annual accrual. UNDP will seek the guidance of the Board of Auditors on this issue.

75. **In paragraph 83, the Board recommended that efforts be intensified to complete the review of outstanding advances provided to governments and non-governmental organizations and to provide for amounts considered doubtful or to write off all necessary amounts; UNDP agreed.**

76. The review of outstanding advances is part of the data clean-up exercise currently being undertaken in readiness for the implementation of the new enterprise resource planning system. Given the complexity of the outstanding balances owing to the length of time outstanding and the volume, the review and analysis is estimated to take two to three years to complete. Analysis is a key first step in the process to ascertain the validity of the balances. The provision for write-off or doubtful accounts will depend on this analysis.

77. The Country Offices Accounts Services, Comptroller's Division, is responsible for implementation of the recommendation.

78. **In paragraph 92, the Board recommended that UNDP: (a) ensure that standard terms of reference are agreed upon by the government implementing partners and the country office as well as the nationally executed expenditure auditor and that the scope and format of the audit report is consistent; and (b) compile a mandatory checklist of the standard requirements to assist country offices in adhering to the requirements of the Programming Manual. UNDP agreed with the recommendations.**

79. The Office of Audit and Performance Review is in the process of revising the terms of reference described in the Programming Manual to reflect the move towards greater harmonization of audit requirements. This is a significant change and will require input from the rest of UNDP before it can be finalized. Therefore, the terms of reference are unlikely to be finalized before the end of 2002. The mandatory checklist is in progress and will be communicated to country offices by the end of October 2002.

80. **In paragraph 100, the Board recommended that the reasons for the non-submission of country office action plans be actively followed up and investigated, and UNDP agreed.**

81. The procedures of the Office of Audit and Performance Review have been revised to incorporate the recommendation, which will be implemented for the preparation of the 2002 nationally executed expenditure audit plan.

82. **In paragraph 105, the Board recommended that the financial effect of the nationally executed expenditure audit qualifications be quantified and that UNDP evaluate such qualifications against the action plans for reasonableness. UNDP agreed with the recommendations.**

83. The Office of Audit and Performance Review tracks the financial effect of the nationally executed expenditure audit qualifications where the information is available in the audit report. Frequently, the information is not recorded in the audit report, however, and the Office will address this problem by preparing new terms of reference for audits, as indicated in paragraph 79 above. The Office already assesses action plans to ensure that major audit findings are addressed.

84. **In paragraph 109, the Board recommended that: (a) more guidance and assistance be provided to country offices in the planning and administration of the nationally executed expenditure audits; (b) a condition that the audit must be completed within a specific time frame be included in the contract between the nationally executed expenditure auditor and the implementing partners in order that the country office might meet the 30 April deadline; and (c) a forward-planning exercise be drawn up to ensure that sufficient resources are available to perform evaluations of nationally executed expenditure reports following the prescribed deadline. UNDP agreed with the recommendations.**

85. Regarding parts (a) and (b) of the above recommendation, draft guidance has been prepared and will be communicated to country offices by the end of October 2002. Regarding part (b), country offices will be provided with a model contract, which includes the requirement to meet the 30 April deadline. Regarding part (c), the Office of Audit and Performance Review has prepared a roster of consultants, which should reduce the time required to find qualified people to perform evaluations of nationally executed expenditure audit reports.

86. **In paragraph 117, the Board recommended that a comprehensive database be created to facilitate the implementation of a risk-based assessment model, and UNDP agreed.**

87. The Office of Audit and Performance Review will investigate the feasibility of including its assessment of country office monitoring activities in its database, as this will facilitate the implementation of a risk-based assessment model.

88. **In paragraph 127, the Board recommended that the service-level agreements for services provided by UNDP to UNFPA and UNOPS be finalized and implemented as a matter of priority.**

89. UNDP is giving priority to these agreements. A draft agreement has now been completed and is currently under review, with a view to completion by October 2002.

90. **In paragraph 147, the Board recommended that UNDP follow up on all trust funds in deficit positions with a view to recovering the overexpenditures. The Board further recommended that UNDP implement a system to monitor such overexpenditures.**

91. UNDP will continue to vigorously follow up trust funds in deficit with a view to recovery. Once the planned enterprise resource planning system is in place, it should also be able to develop exception reports to highlight trust funds going into deficit in a more timely fashion.

92. **In paragraph 154, the Board recommended that proper segregation of duties between investment functions be implemented, and UNDP agreed.**

93. UNDP agrees that the segregation of duties within the investment function is appropriate and necessary. Responsibility for ongoing monitoring of credit risk within approved investment guidelines, performance benchmarking and reporting and required investment accounting and reconciliations is being assigned to the Treasury Operations Section to ensure proper segregation of these functions from the Cash Management Unit. The Treasury Operations Section

will be strengthened to permit it to take on these responsibilities.

94. The Treasurer, Office of Finance and Administration, Bureau of Management, is responsible for implementation of the recommendation.

95. **In paragraph 29, the Board recommended that UNDP expand its current disclosure of foreign currency transactions and other financial instruments used for hedging against currency fluctuations, and that UNDP also consider incorporating in its disclosure aspects regarding risks relating to foreign currency, as well as its financial risk-management objectives and policies.**

96. The Office of Finance and Administration, Bureau of Management, will ensure that the agreed-upon recommendation is implemented for the next biennial reports.

97. **In paragraph 40, the Board recommended that UNDP follow up on long-outstanding items in receivables and thereafter consider writing off the irrecoverable amounts.**

98. The receivable amount of $271,868 has been reduced to $254,568. This amount represents disbursements from the system conversion that were booked in IMIS but not disbursed through the bank. The cash balance has been corrected and the offsetting balance will be written off as an adjustment to miscellaneous income before December 2002.

99. **In paragraph 44, the Board recommended that UNDP expedite its follow-up of all outstanding reconciling items and unresolved differences in order to effect the appropriate adjusting entries in a timely manner.**

100. The amounts relating to the difference between amounts booked and the amount on the bank statement of Creditanstalt Bankverein were corrected in September 2002. The amount of $584,700 listed under items without bank account in the year-end reconciliation of cash was reconciled and cleared in September 2002.

101. **In paragraph 46, the Board recommends that UNDP review payroll bank reconciliations.**

102. The reconciliation of the UNDP payroll accounts is with the United Nations accounting group. Access to the UNDP IMIS has been established for the United Nations staff responsible, and follow-up of the reconciliations for review is being pursued by the Chief, General Accounting and Contributions Unit, Office of Finance and Administration, Bureau of Management.

103. **In paragraph 48, the Board recommended that efforts be continued to reconcile differences and to make the necessary adjustments to the financial records, and UNDP agreed. The Board further recommended that UNDP reconcile the Millenium system to IMIS on a monthly basis in order to expedite the follow-up of differences that may occur.**

104. The IMIS-Millenium reconciliation for the year 2001 is continuing and will be completed by the end of 2002. In accordance with the Board's recommendation, IMIS-Millenium reconciliations for 2002 are being conducted on a monthly basis.

105. The Treasurer, Office of Finance and Administration, Bureau of Management, is responsible for implementation of the recommendation.

106. **In paragraph 54, the Board recommended that UNDP ensure that all organizational units review unliquidated obligations on a monthly basis and provide the required certification of valid obligations in a timely manner, and follow up on any differences in unliquidated obligations reported by organizational units to make the necessary adjustments to the financial records.**

107. The Chief, Corporate Financial Reporting Section, Comptroller's Division, will issue guidelines by 31 December 2002 and monitor the situation to ensure compliance.

108. **In paragraph 56, the Board recommended that obligations be recorded only on the basis of valid obligating documents and that they be recorded in the appropriate accounting period.**

109. The United Nations Volunteers (UNV) programme agrees with the Board's recommendation. UNV confirms that it has at all times adhered to the normal rule but that it had to make an exception in December 2001 because it had clearly committed to purchasing computer equipment and had taken all necessary steps to do so before 31 December against a specific budget allocation identified and confirmed at the end of the third quarter. However, by obligating the funds in 2001, UNV was able to save $6,000.

110. **In paragraph 69, the Board recommended that UNDP intensify its efforts to clear the remaining long-outstanding differences with executing agencies and to make the necessary adjustments to the records. Also, UNDP should follow up in a timely manner on any differences in the quarterly reconciliations and apply a consistent basis of comparison.**

111. Out of 32 agencies, 3 have not submitted their 31 December 2001 reconciliation. UNDP has assigned two examiners on a full-time basis to intensify the reconciliation of differences between agencies and UNDP books. The action being taken to resolve issues is set out below.

112. With the new standard reconciliation format required from the agencies, details of long-outstanding items, particularly items prior to 1999, have now been identified and are being fully investigated. On behalf of the agencies, communications are being sent to the country offices and other in-house offices to facilitate the settlement of disputed charges. Associated agency queries are being followed up between the executing and implementing agencies to assist in resolving issues. Queries regarding expenditures and administrative and operational services are being investigated, and details by project are being sent to the agencies to enable them to identify discrepancies. Considering that disputed items date as far back as the early 1990s, it will take about two to three years to ascertain the validity of the outstanding balances in the agencies' operating fund statements.

113. The Comptroller, Office of Finance and Administration, Bureau of Management, is responsible for implementation of the recommendation.

114. **In paragraph 85, the Board recommended that details of the appointment of nationally executed expenditure auditors be included in their monitoring tools and that such details be used to verify compliance with the UNDP Programming Manual; UNDP agreed.**

115. This monitoring will be done as part of the internal audit of country offices, and has already been incorporated into the Office of Audit and Performance Review country office audit guide.

116. **In paragraph 87, the Board recommended that specific procedures and predetermined criteria be included in its directives on nationally executed expenditure to ensure that auditors with the required independence, integrity and technical competence are appointed and that compliance with those directives is monitored by the country office. UNDP agreed with the recommendation.**

117. Draft guidance has been prepared and will be communicated to country offices by the end of October 2002.

118. **In paragraph 94, the Board recommended that audit clauses be included in project agreements and that their implementation be monitored; UNDP agreed.**

119. This monitoring will be done as part of the internal audit of country offices, and has already been incorporated into the Office of Audit and Performance Review country office audit guide.

120. **In paragraph 97, the Board recommended that special attention be devoted to country offices that had not submitted plans for audit on time by requesting such offices to commence the planning exercise well in advance of the prescribed deadline, and that UNDP headquarters intensify its follow-up action with respect to country offices that have defaulted in adhering to requirements. UNDP agreed with the recommendations.**

121. The procedures of the Office of Audit and Performance Review have been revised to incorporate the recommendation, which will be implemented for the preparation of the 2002 nationally executed expenditure audit plan.

122. **In paragraph 103, the Board recommended that, in order to ensure suitable audit coverage of nationally executed expenditure audits, UNDP should actively follow up on the final expenditure figures to update the level of planned coverage, and UNDP agreed. The Board further recommended that planned coverage be based on criteria established by UNDP.**

123. The procedures of the Office of Audit and Performance Review have been revised to incorporate the recommendation, which will be implemented for the review and monitoring of the 2002 nationally executed expenditure audit plan.

124. **In paragraph 111, the Board recommended that UNDP intensify its efforts to reconcile a**

discrepancy in the recording of a particular expenditure amount, and UNDP agreed.

125. The country office concerned subsequently advised the Office of Audit and Performance Review that it agreed with the expenditure amount recorded in the Office's database. The country office has subsequently submitted a copy of the relevant combined delivery report.

126. **In paragraph 114, the Board recommended that country offices provide information on their evaluations of projects not subjected to nationally executed expenditure audit, to headquarters and that headquarters, in turn, utilize such information as a component for risk-based assessments.**

127. The Office of Audit and Performance Review will provide offices with additional guidance on how to select projects for audit by the end of October 2002. This guidance will include the need to provide the Office with information about the results of monitoring and evaluation activities where projects are not selected for audit.

128. **In paragraph 120, the Board recommended that UNDP: (a) update the policy as per the UNDP Programming Manual with regard to the funding of audit costs; (b) maintain data relating to audit costs for each project on the consolidated database; and (c) have country offices analyse the audit costs to determine whether the benefit of the audit of the project exceeds the cost and its relation to the project expenditure as well as risk assigned to the project.**

129. Regarding part (a) of the recommendation, a draft has been prepared and will be submitted to the Bureau for Development Policy to update the Programming Manual by the end of September 2002. Regarding part (b), this has been done. Regarding part (c), the Office of Audit and Performance Review will provide offices with additional guidance on how to select projects for audit by the end of October 2002.

130. **In paragraph 129, the Board recommended that UNDP implement stricter time frames for the reimbursement of services delivered and that the outstanding reimbursements for the biennium 2000-2001 be made as soon as possible.**

131. The new agreements establish stricter time frames for reimbursement. The remaining dues are to be settled in conjunction with the finalization of the new agreements.

132. **In paragraph 132, the Board recommended that UNDP intensify its efforts to conclude formal agreements with other United Nations agencies as soon as possible and implement cost-recovery strategies to ensure recovery of the full cost of all services rendered. Furthermore, the country offices should consider apportioning the cost of common services based on the activity rendered.**

133. UNDP, in November 1999, issued a set of comprehensive guidelines related to cost recovery for services provided by UNDP country offices to United Nations agencies. While the guidelines have helped to improve the manner in which services are paid for, they have not been fully adhered to by all country offices and United Nations agencies. As such UNDP is now in the process of revising the guidelines, taking into account the current problems. The revised guidelines would also address the approach to corporate-level agreements with United Nations agencies. As to common services, there are clear guidelines for country offices to follow on the approach to apportioning costs for shared services. UNDP will continue to reinforce this issue to country offices.

134. **In paragraph 140, the Board recommended that UNDP intensify its efforts to finalize all outstanding activities of inactive trust funds and implement a formal system to track and monitor expiry dates and specific closure requirements included in trust fund agreements.**

135. UNDP will continue to make every effort to close inactive trust funds. Once the planned enterprise resource planning system is in place, UNDP should also be able to track expiry dates and specific closure requirements.

136. **In paragraph 144, the Board recommended that the United Nations Volunteers follow up on all inactive sub-trust funds and fully funded arrangements with a view to finalizing all outstanding activities and to comply with the specific closure requirements included in the donor agreements.**

137. UNV agrees with the Board's recommendations concerning inactive trust funds and has initiated action to close the inactive projects. As confirmed by the audit review many projects were already closed. Of the

37 inactive projects, 20 (representing 10 per cent of the value of fund balances) earned interest. Information on the apportionment of interest was received from UNDP New York at the end of the year. UNV did not have enough time to review the transfer of funds, based on the donor agreement, during the same accounting period. Action will be taken to transfer the interest income to either the donor or other UNV arrangements based on the donor agreement in 2002.

138. The rest of the projects (representing 90 per cent of the value of the fund balances) were operationally closed during 2001. UNV is actively working on those projects to financially close them by 31 December 2002. UNV has been aware of the inactive full funding arrangements. The residual funds under the full funding arrangements have been reviewed, and UNV initiated the process of issuing refunds to the donor in 2001.

139. Seventy-eight per cent of the total value, amounting to $111,665, should be refunded during 2002. Donor approval was received for 13 per cent of the total value, amounting to $18,900, to transfer to other arrangements. UNDP has to follow up with two other donors for the remaining $6,302 to retain the funds for other arrangements or to refund the balance. To the extent possible, UNV will try to resolve the issues by 31 December 2002 and comply with the Board's recommendations.

140. The management of UNV will be responsible for implementation of the recommendation.

141. **In paragraph 157, the Board reiterated its recommendation that UNDP establish benchmarks for performance for contract letting and monitor performance against those standards, and UNDP agreed.**

142. UNDP agrees that there is a need to establish benchmarks for contract performance and to monitor contract performance in terms of delivery, quality and cost-effectiveness. The reason for the gap is that presently UNDP does not have any software or tool for managing contracts. UNDP has recently contracted PeopleSoft in connection with the implementation of the enterprise resource planning system, which will be rolled out by 1 January 2004. The software incorporates all the tools necessary for managing contract performance.

143. **In paragraph 159, the Board recommended that UNDP ensure that the mechanism for evaluating supplier performance included in its Procurement Manual is optimally utilized by all units concerned with contracting.**

144. The first step was to develop a mechanism for the evaluation of supplier performance. This has been done and it has been incorporated into the new Procurement Manual. To implement the mechanism, it is necessary to train the procurement staff of UNDP on how to use it. It has been incorporated into the procurement training programmes conducted by the Inter-Agency Procurement Services Office and the Office of Legal and Procurement Support. Once the enterprise resource planning is in place, by 1 January 2004, the system will take care of evaluating supplier performance as per the mechanism developed by UNDP.

145. **In paragraph 164, the Board recommended that UNDP implement proper controls to ensure that the requirements of the corporate card manual in respect of transaction limits are adhered to and that where there is a need for an increased limit, UNDP implement proper controls to ensure that expenditure is within the allotment lines.**

146. The agreement with the carrier, JP Morgan Chase, does not allow for any single transaction to exceed the limit of $2,500, or a total of $10,000 per month per cardholder. Authority to exceed these amounts must be granted by the card administrator in UNDP.

147. During the pilot roll-out of the purchase card, the limit for each transaction was set at $1,000. This led to some exceptions being made for transactions up to $2,500, since the Financial Regulations and Rules permit contracts of up to $2,500 without a written purchase order. With increased experience of using the purchase card and implementation of PaymentNet software, the limit has been increased for all cardholders to $2,500 per transaction. With this increased limit, no exceptions have been made over the past six months.

148. **In paragraph 166, the Board recommended that UNDP implement controls to ensure that each cardholder complies with the terms of payment as stipulated in the agreement between UNDP to avoid unnecessary expenditure.**

149. On a monthly basis, UNDP monitors the status of payments by cardholders and follows up with

cardholders who have missed the month-end deadline for the settlement of amounts due. Cardholders who incur late fees have those fees recovered from their salaries and in cases of delinquency in excess of 60 days, card privileges are withdrawn.

150. The following controls have been established to ensure that that there are no late payments:

(a) An online PaymentNet web site, which makes it possible to check who is delinquent. This is being monitored by the Office of Legal and Procurement Support;

(b) JP Morgan Chase provides a monthly list of cardholders who are delinquent by five days. This allows UNDP to expedite the payment.

151. **In paragraph 170, the Board recommended that UNDP revise its programme of work for internal audit to include an appropriate level of coverage of financial procedures and controls at headquarters.**

152. The internal audit plan for the last quarter of 2002 included an audit of financial procedures and controls at headquarters. However, this audit had to be postponed until 2003 because of staff vacancies and because the Office of Audit and Performance Review was undergoing a comprehensive repositioning exercise.

153. **In paragraph 173, the Board recommended that all outstanding recommendations be followed up with country offices, and the Office of Audit and Performance Review agreed.**

154. The Office is actively following up on outstanding recommendations.

155. **In paragraph 175, the Board recommended that stricter time frames be established and enforced to improve and strengthen the processes of reporting and follow-up.**

156. The Office of Audit and Performance Review now strictly enforces a standard of four weeks from the end of fieldwork to the submission of the draft report to the client.

157. **In paragraph 188, the Board recommended that UNDP: (a) establish, formally approve, implement and update on a regular basis a security policy; (b) compile formally documented programme change control procedures; (c) complete and update its system development life cycle; (d) establish and regularly test off-site back-up location; (e) formally review network, intruder detection and activity violation reports; (f) ensure that each Unix administration uses its own user identification; (g) approve service-level agreements with UNFPA and UNOPS.**

158. UNDP is in accord with these recommendations, and notes that those not already implemented will be addressed in the context of a complete reorganization of the Office for Information Systems and Technology and a top-to-bottom migration of its information and communication technology platform to a PeopleSoft enterprise resource planning system. Recommendations with significant operational and/or cost implications will be implemented in conjunction with these projects rather than being applied to systems and practices that are being phased out.

159. With respect to recommendation (a) above, UNDP has a network security policy applicable to worldwide information and communication technology operations that was updated in June 2001. It will be revised and updated as needed in conjunction with the roll-out of the enterprise resource planning system. UNDP follows United Nations guidelines on access control for IMIS. In the reorganized Office for Information Systems and Technology, a dedicated Production Services Unit will assume responsibility for security and change control issues. This Unit will be fully functional by 1 January 2003 at the latest.

160. Regarding recommendation (b), the new Office of the Chief Information Officer, Office for Information Systems and Technology, will revise and promulgate new standards for documentation and system control procedures that will be applied by the Production Services Unit mentioned in paragraph 159 above. Presently, users are notified in advance of any planned changes to systems or infrastructure after quality assurance and testing have been completed. All IMIS changes are managed in accordance with United Nations procedures.

161. Concerning recommendation (c), the system development life-cycle documentation was updated at the end of 2001. In the reorganized Office for Information Systems and Technology, a new Project Practices and Management Unit is being established. Supported by the Office of the Chief Information Officer, it will ensure that all system development

activities are conducted in accordance with established and regularly updated standards.

162. With respect to recommendation (d), at present UNDP relies on the United Nations Information Technology Services Division for IMIS back-up arrangements (both in the Secretariat building and in the DC-2 building), while a separate back-up copy of IMIS production data is retained in the FF building. The IMIS back-up arrangement is reflected in the memorandum of understanding between the Information Technology Services Division and the Office for Information Systems and Technology, which was revised in June 2002. The implementation of the enterprise resource planning system will specifically include disaster recovery plans and approaches that will be in place prior to the first roll-out, scheduled for 1 January 2004.

163. Concerning recommendation (e), network monitoring reports are produced and available online to users and management for review. Managers in technical areas make use of these monitoring statistics and advise senior management of issues and concerns.

164. With respect to recommendation (f), UNDP has its own unique user identification and password for the IMIS production databases hosted at the Information Technology Services Division. Additionally, UNDP database administrators have their own unique user identifications and passwords for the copied IMIS production databases hosted at the Office for Information Systems and Technology in the FF building.

165. Regarding recommendation (g), UNDP has been in discussions and negotiations with UNFPA and UNOPS on cost-sharing for matters related to information technology. Memorandums of understanding on services provided similar to the one established between the Information Technology Services Division and the Office for Information Systems and Technology on IMIS production and operations will be made with UNFPA and UNOPS towards the end of 2002.

166. **In paragraph 192, the Board recommended that UNDP develop its own fraud-prevention plan, including fraud-awareness initiatives, in discussion with the Administration of the United Nations and the other funds and programmes to obtain the benefit of best practice, where available, in specific or all of the elements being considered.**

167. UNDP agrees with the overall recommendation as well as with the more specific recommendations regarding elements to be considered in the development of a fraud-prevention strategy. UNDP intends to continue the work that has already been initiated to develop such a strategy, together with UNFPA and UNOPS, the initial steps of which will include the formulation of a common vision and/or objective for a fraud-prevention strategy; the examination of industry standards for fraud prevention, such as to what extent other organizations within and outside the United Nations system have strategies that could be adapted or built upon; the establishment of an inventory of measures that may already contain elements of fraud prevention (such as regulations, rules and manuals); and the identification of priority areas for the development and implementation of fraud- and corruption-prevention measures. It is recognized that a strategy must be developed incrementally, taking into consideration the time and resources that will have to be invested to ensure that fraud prevention becomes sufficiently effective. This will be completed in 2003.

168. The Director, Office of Legal and Procurement Support, is responsible for implementation of the recommendation.

D. United Nations Children's Fund

169. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on UNICEF for the biennium ended 31 December 2001[5] is described below.

170. The Executive Director is responsible for overseeing the implementation of audit recommendations. However, this responsibility is shared with the senior staff responsible for the specific areas covered in the audit recommendations.

171. **In paragraph 14 (a), the Board recommended that UNICEF review, in conjunction with United Nations Headquarters, the funding mechanism and targets for end-of-service liabilities in line with other United Nations organizations.**

172. The implementation of this recommendation is ongoing. UNICEF will pursue with the United Nations the options for funding end-of-service liabilities and will initiate and follow up consultations with other United Nations agencies on such options.

173. The Comptroller is responsible for implementation of the recommendation.

174. **In paragraph 14 (b), the Board recommended that UNICEF manage more proactively its accounts receivable from donors, National Committees and staff.**

175. The recommendation is currently being implemented. Accounts receivable are being more proactively managed.

176. The Comptroller is responsible for implementation of the recommendation.

177. **In paragraph 14 (c), the Board recommended that UNICEF disclose recovery charges as programme support and management and administration costs borne by other resources.**

178. Presently, UNICEF regulation 9.3 requires that expenditures for programme support and management and administration of the organization be financed from regular resources. Also, UNICEF is in the process of preparing a recovery paper for submission to its Executive Board, taking into consideration the recently completed Joint Inspection Unit study on the system-wide practices on support cost recovery. UNICEF will base its treatment and classification of cost-recovery charges on its Financial Regulations and Rules and new relevant guiding policies. The recommendation should be fully implemented by April 2003.

179. The Comptroller is responsible for implementation of the recommendation.

180. **In paragraph 14 (d), the Board recommended that, in consultation with other United Nations agencies, UNICEF finalize without further delay the review of its policy on contributions in kind with a view to fully disclosing those used in the normal course of activity, and for which a fair value can be reasonably estimated.**

181. UNICEF will complete its consultations on and review of contributions in kind and issue a policy by the end of 2002.

182. The Comptroller is responsible for implementation of the recommendation.

183. **In paragraph 14 (e), the Board recommended that UNICEF consolidate summary performance indicators, at the regional and global levels, possibly through an automatic extraction of data from the UNICEF Programme Management System.**

184. A policy paper on evaluation was submitted to the Executive Board at its session held in June 2002 and was endorsed in order to strengthen the evaluation function. The results of country programme evaluations will feed into the mid-term and annual reviews of country programmes, as well as the programme strategy meetings, with the aim of continuously realigning programmes and projects with the country programme objectives.

185. The progress reported by the auditors, in terms of improvement in the use of programme implementation indicators, will continue to be built upon by creating a consolidated indicator-reporting table in all country office annual reports and optimizing the use of Cognos software in reporting on non-financial performance indicators. The recommendation will be fully implemented by June 2003.

186. The Deputy Executive Director is responsible for implementation of the recommendation.

187. **In paragraph 14 (f), the Board recommended that UNICEF take the opportunity of the triennial comprehensive policy review to consider the option of changing its Financial Regulations, as requested by the Advisory Committee on Administrative and Budgetary Questions, to the effect that cash advances do not become programme expenditure until the appropriate financial utilization reports have been received.**

188. In relation to cash assistance, UNICEF believes that its current treatment is in conformity with the substance of its modus operandi within the framework of the country programme of cooperation. The current work being undertaken by United Nations Development Group agencies on harmonization and simplification provides the forum for developing best practices for resource transfers to Governments under the auspices of national execution. The discussion of these modalities, which has already been initiated, includes the programmatic rationale of the cash transfers, their accounting treatment and their monitoring requirements. Any change in the Financial Regulations and Rules will be determined as a result of this process. Closely related to this are other relevant issues taken up by the harmonization and simplification group, which include government internal control systems. As part of the ongoing process of

implementing the recommendation, UNICEF will continue its active participation in the United Nations Development Group working group. The effective participation of UNICEF in the harmonization and simplification process, the records of progress (minutes of the national execution workshop and the terms of reference of the flexi-team on resource transfer modalities) and the cash assistance to Governments modality paper will provide indicators of action in addressing the recommendation.

189. The Deputy Executive Director is responsible for implementation of the recommendation.

190. **In paragraphs 14 (g) and 138, the Board recommended that UNICEF integrate supply planning in the programme planning process by using automatic data extraction and that it establish clear directives to obtain more realistic and accurate supply plans from country offices.**

191. A task force is currently looking at methods to strengthen and monitor supply planning. This includes requiring the use of the Programme Management System for this purpose and strengthening the training and documentation related to the programme planning process. The recommendation will be implemented by June 2003.

192. The Director of the Supply Division is responsible for implementation of the recommendation.

193. **In paragraph 14 (h), the Board recommended that UNICEF adopt a consolidated treasury manual, review the opportunity to include external members in its Financial Advisory Committee and consider investing in a more diversified portfolio and using external fund managers.**

194. UNICEF will submit updated consolidated cash management guidelines to the Financial Advisory Committee for its approval, and it will update and resubmit the same for approval when there are significant changes, a process that is expected to be completed by December 2002. UNICEF will also conduct an internal assessment of the opportunity of including external members in the Financial Advisory Committee. The opportunities for diversification of the portfolio to increase yields while protecting the principal and hedging against market risks will also be examined. In addition, UNICEF will conduct a review of the experiences of other United Nations organizations with respect to the costs and benefits of using external investment managers and will make a decision thereon by April 2003. The recent forum provided by the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination is appropriate for this, as the World Food Programme is interested in a relevant review of this matter.

195. The Comptroller of UNICEF is responsible for implementation of the recommendation.

196. **In paragraph 14 (i), the Board recommended that UNICEF improve its information technology security by finalizing its corporate information security policy and, in consultation with other United Nations organizations, complete its disaster recovery plan as soon as possible.**

197. UNICEF aims to finalize, disseminate and begin implementing the information security policy by the end of 2002. In terms of disaster recovery, specific actions have been implemented to increase bare-bones redundancy, and consultations with other United Nations agencies have started to take place in the United Nations Advisory Group on Information and Communication Technologies. The recommendation should be fully implemented by the end of 2002.

198. The Director, Information Technology Division, is responsible for implementation of the recommendation.

199. **In paragraph 14 (j), the Board recommended that UNICEF review and monitor more closely the appropriateness of the means of its Private Sector Division to reach its strategic targets, such as the recovery of sales proceedings and the development of fund-raising.**

200. UNICEF management will continue to review and monitor the attainment of objectives and targets in this area. As part of the ongoing implementation of this recommendation, there will be a careful review of the results of the current business plans to draw lessons and adjust future strategies and plans.

201. The Deputy Executive Director is responsible for implementation of the recommendation.

202. **In paragraph 28, the Board recommended that UNICEF record differences in exchange rates in the financial period in which they arise, while terminating the present $20.9 million provision.**

203. UNICEF does record differences in exchange rates in the financial period in which they arise. Furthermore, UNICEF has based the provision on the need to exercise a prudent financial and accounting policy in order not to overstate its affordable levels. This approach is consistent with United Nations system accounting standard 32, which was established for a similar purpose. Based on experience, UNICEF has exercised prudent financial and accounting policies since 1987 regarding the determination of the fair value of Private Sector Division income (a component of regular resources) that will actually become available to the organization to support affordable levels. In the current climate of volatile exchange rates and the ensuing exposure for UNICEF income, UNICEF considers it sound to pursue its present prudential practice of maintaining this provision and will therefore maintain the provision.

204. The Director, Private Sector Division, and the Comptroller are responsible for implementation of the recommendation.

205. **In paragraph 30, the Board recommended that the classification of convertible and non-convertible currencies be revised, which it could do in consultation with other United Nations organizations, and UNICEF agreed.**

206. UNICEF will pursue the revision in consultation with other United Nations organizations.

207. The Comptroller is responsible for implementation of the recommendation.

208. **In paragraph 32, the Board recommended that, for consistency, bank charges and fees be recorded and categorized under "bank charges" in the general ledger, and UNICEF agreed.**

209. The recommendation will be implemented. UNICEF will record and categorize said costs under "bank charges" in the general ledger.

210. The Comptroller is responsible for implementation of the recommendation.

211. **In paragraph 35, the Board recommended that its pension calculation be improved to further reduce discrepancies with the United Nations Joint Staff Pension Fund statements, and UNICEF agreed.**

212. UNICEF agreed to review carefully pension calculations to further reduce discrepancies with the Pension Fund statements.

213. The Comptroller is responsible for implementation of the recommendation.

214. **In paragraph 38, the Board recommended that UNICEF implement new procedures so that files and documents will provide reliable information for the management and control of contributions receivable.**

215. UNICEF will establish new procedures so that files and documents will provide reliable information for the management and control of contributions receivable.

216. **In paragraph 44, the Board recommended that UNICEF: (a) review the recoverability of all outstanding advances and endeavour to recover them; and (b) reduce the volume of personal advances recoverable outstanding for more than 24 months. UNICEF agreed with the recommendations.**

217. UNICEF has agreed with the need to continue to endeavour to reduce the volume of personal advances recoverable and, in so doing, maintain a sound assessment of the recoverability of those advances. Progress reports will be produced on an ongoing basis on the reduction of advances.

218. The Comptroller is responsible for implementation of the recommendation.

219. **In paragraph 49, the Board recommended that UNICEF consult with other United Nations entities to determine a common accounting treatment of Central Emergency Revolving Fund expenditures, and UNICEF agreed.**

220. UNICEF will maintain for the moment its current accounting treatment of the Central Emergency Revolving Fund. At the same time, it will consult with other United Nations organizations with a view to ascertaining their accounting treatment of those funds, and on that basis will review the merit of the recommendation.

221. The Comptroller is responsible for implementation of the recommendation.

222. **In paragraph 51, the Board recommended that UNICEF establish clear guidelines, within the operations emergency manual that is being drafted,**

to distinguish when the Emergency Programme Fund or the Central Emergency Revolving Fund should be used, and UNICEF agreed.

223. In consultation with other United Nations agencies, UNICEF will revise the guidelines of the Emergency Programme Fund and the Central Emergency Revolving Fund accordingly.

224. The Deputy Executive Director is responsible for implementation of the recommendation

225. **In paragraph 54, the Board recommended that UNICEF: (a) review more thoroughly its unliquidated obligations at year's end, in compliance with the Financial Regulations; and (b) amend the report to the donors where appropriate, and UNICEF agreed.**

226. UNICEF will more systematically monitor its obligations and conduct a more thorough review of unliquidated obligations at year's end and, where appropriate, will amend donor reports to reflect any invalid obligations.

227. The Comptroller is responsible for implementation of the recommendation.

228. **In paragraph 56, the Board recommended that UNICEF: (a) issue a consolidated field accounting manual; and (b) evaluate the cost-effectiveness of having its Programme Management System documentation translated into languages widely used by its staff, and UNICEF agreed.**

229. UNICEF is working towards the release of a field accounting manual in 2003. It will examine the cost-effectiveness of translating the Programme Management System documentation into other languages.

230. The Comptroller is responsible for the ongoing implementation of the recommendation.

231. **In paragraph 67, the Board recommended that UNICEF disclose all the non-expendable property under its custody, regardless of the source of funding, and expand the note on its policy regarding non-expendable property disclosure, and UNICEF agreed.**

232. UNICEF is in the process of reviewing its disclosure of non-expendable property, and accordingly it will revise the policy and expand the note to the financial statements where appropriate.

233. The Comptroller is responsible for implementation of the recommendation.

234. **In paragraph 73, the Board recommended that UNICEF review all funds provided by the Global Alliance for Vaccines and Immunization not recorded as income to make sure that they are made available for purposes other than those related to implementing programme commitments approved or noted by the Board.**

235. As part of the ongoing implementation of this recommendation, UNICEF will ensure accurate accounting of income. It should be noted that trust funds do not form part of UNICEF income and do not form part of the financial ceilings for other resources presented in the country programme recommendations for approval by the Executive Board. UNICEF is the custodian, receiving contributions to the Fund and disbursing monies as directed by the Global Alliance for Vaccines and Immunization Board to the recipient governments (not to UNICEF country offices).

236. The Comptroller is responsible for implementation of the recommendation.

237. **In paragraph 78, the Board recommended that UNICEF compute and disclose the value of its in-kind contributions to the Global Alliance for Vaccines and Immunization and, when applicable, in other, similar cases.**

238. UNICEF will continue to manage trust funds in conformity with its financial regulation 11.4, which gives discretion to the Executive Director to credit interest back to trust accounts. It will do so in a framework of transparency in reporting on these monetary and other, in-kind, contributions.

239. The Comptroller is responsible for the ongoing implementation of the recommendation.

240. **In paragraph 82, the Board recommended that UNICEF consult with other United Nations organizations regarding their standard procedures and establish a formal, standardized procedure for contribution pledge write-offs so as to reflect the "full investigation" requirement and timing criteria, and UNICEF agreed.**

241. By the end of 2002, UNICEF should have consulted with other United Nations organizations as to their standard procedures and established a formal

standardized procedure for contribution pledge write-offs.

242. The Comptroller is responsible for implementation of the recommendation.

243. **In paragraph 89, the Board recommended that UNICEF undertake a review of the financial implementation rate in order to prevent a pattern of excessive concentration of expenditures during the last quarter, and UNICEF agreed.**

244. UNICEF will review the patterns of programme financial implementation with the aim of drawing lessons to smooth out the patterns of expenditures.

245. The Comptroller and the Director, Programme Division, are responsible for implementation of the recommendation.

246. **In paragraph 119, the Board recommended that UNICEF monitor the use of the future quality assurance checklist, and in particular, the inclusion of standard rates in the master plans of operation, and regularly provide feedback to regional and field offices on the best practices relating to cash assistance procedures, and UNICEF agreed.**

247. UNICEF is in the process of writing guidance memorandums to the field and regional offices with respect to their roles and responsibilities related to cash assistance monitoring and oversight. This includes standard rates, quality assurance indicators and monitoring of expenditure patterns related to cash assistance to Governments. UNICEF intends to conduct regular follow-up and report on the matter on an ongoing basis as part of the implementation of the recommendation.

248. The Comptroller is responsible for implementation of the recommendation.

249. **In paragraph 125, the Board recommended that UNICEF strengthen the analysis of patterns of disbursements by field offices as part of its oversight responsibility, and UNICEF agreed.**

250. UNICEF will strengthen the analysis of patterns of expenditure by field offices as part of its oversight responsibilities. In so doing there will be periodic reviews and analyses of expenditure patterns.

251. The Comptroller is responsible for implementation of the recommendation.

252. **In paragraph 128, the Board recommended that UNICEF collect information on the quality standards developed by other international institutions, identify best practices, provide guidance to field offices and monitor the application of the guidance, and UNICEF agreed.**

253. In coordination with the United Nations Development Group Working Group on simplification and harmonization, UNICEF will collect information on the diagnostic tools developed by other international development institutions, identify good practices, provide g[illegible]e to field offices in this regard and monitor i[illegible]entation and compliance. The Working Group has set up a flexi-team that is looking into government internal control systems and their implications for the resource transfer modalities of the United Nations, in general.

254. The Comptroller is responsible for implementation of the recommendation.

255. **In paragraph 130, The Board recommends that UNICEF enforce the requirement for the submission of explanatory notes and that it closely monitor their submission and the quality of the information provided.**

256. UNICEF headquarters will continue to conduct systematic monitoring of the requirement for the submission of explanatory notes, including the quality of the information provided.

257. The Comptroller is responsible for implementation of the recommendation.

258. **In paragraph 135, the Board recommended that UNICEF include, as part of its headquarters responsibilities, oversight of the country office implementation of internal audit recommendations related to cash assistance, and UNICEF agreed.**

259. UNICEF headquarters will include, as part of its oversight responsibilities, a systematic review and monitoring of the implementation of internal audit recommendations relating to cash assistance.

260. The Comptroller is responsible for implementation of the recommendation.

261. **In paragraph 141, the Board recommended that UNICEF continue to improve the monitoring of key Supply Division performance indicators, and UNICEF agreed.**

262. The key performance indicators were completed as planned and were presented to and made available to all Supply Division staff. They were also posted on the Supply Division's local area network and are reviewed regularly by management. It is expected that there will be more succinct reporting on the key performance indicators.

263. The Director, Supply Division, is responsible for implementation of the recommendation.

264. **In paragraph 143, the Board recommended that UNICEF establish proper guidelines on outsourcing decisions and take action to ensure that outsourcing decisions are properly documented in compliance with United Nations regulations, and UNICEF agreed.**

265. UNICEF will review the results of the recent Joint Inspection Unit study on outsourcing with a view to enhancing guidelines on outsourcing and, in so doing, will continue to ensure that any future outsourcing decision is properly documented and in compliance with United Nations regulations regarding outsourcing.

266. The Director, Supply Division, is responsible for implementation of the recommendation.

267. **In paragraph 146, the Board recommended: (a) that UNICEF review the present rules with a view to raising them to the most demanding standards on ethics, gifts and offers of hospitality; (b) that a declaration of existing interests be obtained from the professional staff of the Supply Division; and (c) that staff members be reminded of existing rules and regulations regarding interest in supplier companies.**

268. UNICEF will continue to strengthen ethical practices in procurement through regular communication with staff, information to suppliers regarding UNICEF practices and review of best practices in the United Nations and elsewhere. In so doing, it will continue to foster ethical behaviour through compliance with interest disclosure by employees, reiteration of United Nations rules in this regard and training on ethics in the workplace in general and in procurement in particular, as already initiated at various regular training events. As part of the office management plan, a special component with an emphasis on training and communication will be added, and compliance could be monitored, for example, through an internal ethics committee.

269. The Director, Supply Division, is responsible for implementation of the recommendation.

270. **In paragraph 152, the Board recommended that UNICEF ensure strict compliance with rules and the availability of one Treasury Unit Professional on a daily basis, and UNICEF agreed.**

271. UNICEF will ensure appropriate and adequate staff in the Treasury Unit to allow for the segregation of duties.

272. The Comptroller is responsible for implementation of the recommendation.

273. **In paragraph 167, the Board recommended that UNICEF review its banking needs in order to streamline the number of operatives and that it develop banking agreements, and UNICEF agreed.**

274. UNICEF will continue its efforts to streamline banking relationships and operations. A review of the current banking arrangements will be conducted with lessons drawn and recommendations for improvements.

275. The Comptroller is responsible for implementation of the recommendation.

276. **In paragraph 169, the Board recommended that UNICEF consider the cost-effectiveness of increasing the number of offices relying on zero-balance accounts, where appropriate, and UNICEF agreed.**

277. UNICEF agrees that zero-balance accounts can be cost-effective and will recommend that country offices employ them, where appropriate. There will be a mainstream assessment of the feasibility of establishing zero-balance accounts as part of field operations and the opportunity to do so by June 2003.

278. The Comptroller is responsible for implementation of the recommendation.

279. **In paragraph 172, the Board recommended that UNICEF improve its bank reconciliation procedures, and UNICEF agreed.**

280. Based on the work done so far, UNICEF will review existing bank reconciliation procedures and, where necessary, have the existing guidelines updated by April 2003.

281. The Comptroller is responsible for implementation of the recommendation.

282. **In paragraph 187, the Board recommended that UNICEF pursue its efforts to sign the new cooperation agreements with all National Committees and sales partners by the end of 2002, and UNICEF agreed.**

283. UNICEF views this as an organizational priority and will strive to ensure that most, if not all, of the cooperation agreements are signed by mid-2003.

284. The Director, Geneva Regional Office, is responsible for implementation of the recommendation.

285. **In paragraph 190, the Board recommended that UNICEF pay more attention to qualified opinions by local external auditors and to obtaining the desirable improvements from the National Committees concerned.**

286. UNICEF will continue to work to obtain the audited financial statements of the National Committees on a timely basis. With regard to cases of qualified opinions cited in the background for this recommendation, the Fund's understanding of the auditors' qualified opinion relates to an audit constraint found with most charitable organizations worldwide, namely, the inability of auditors to validate and/or verify all contributions received other than those which have been deposited and recorded. Hence, the qualification does not relate to accounting control per se. As part of the ongoing implementation of the recommendation, UNICEF will continue to monitor audited financial statements of National Committees for risks pertaining to accounting control and soundness of internal control.

287. The Directors, Private Sector Division and Geneva Regional Office, are responsible for implementation of the recommendation.

288. **In paragraph 192, the Board recommended that UNICEF pursue efforts to receive audited financial statements by every National Committee on time so they can be of use, to the extent possible, for a reconciliation with the final cash accounting report for the record of Private Sector Division revenue.**

289. Notwithstanding the fact that not all National Committees operate on a calendar-year basis, UNICEF will continue to pursue the timely submission of audited financial statements and will continue to monitor the progress made in terms of the timely submission of audited financial statements.

290. The Directors, Private Sector Division and Geneva Regional Office, are responsible for implementation of the recommendation.

291. **In paragraph 194, the Board recommended that UNICEF secure a quarterly remittance of sales proceeds from National Committees, and UNICEF agreed.**

292. UNICEF will make an effort to secure a quarterly remittance of sales proceeds from all National Committees.

293. The Comptroller is responsible for implementation of the recommendation.

294. **In paragraph 198, the Board recommended that UNICEF strengthen its stock management procedures, which may include more precise forecasts and deliveries in order to reduce destruction costs, and UNICEF agreed.**

295. UNICEF will strengthen its stock management procedures and by June 2003 will put in place stricter monitoring of orders and forecasts by the Private Sector Division's Production Review Panel.

296. The Director, Private Sector Division, is responsible for implementation of the recommendation.

297. **In paragraph 200, the Board recommended that UNICEF implement its plan to integrate the country office Private Sector Division and support budget processes.**

298. UNICEF will ensure that the Private Sector Division budget is synchronized with the support budget process. This will involve the issuance and/or updating of guidelines regarding the realignment or revision of the Private Sector Division's budget and presentation of the work-plan calendar. The exercise will be initiated in 2003, with full implementation expected by 2004.

299. The Director, Private Sector Division, is responsible for implementation of the recommendation.

300. **In paragraph 202, The Board recommended that UNICEF design standard, cost-effective procedures for the legal, operational, and financial review of fund-raising contracts, and UNICEF agreed.**

301. UNICEF will take steps to have this recommendation implemented by June 2003. It is necessary to consider that its implementation has implications beyond the context of a country office inasmuch as it contemplates the development of standard-form documentation to formalize agreements for private donations. This aspect of the recommendation will be addressed on an agency-wide basis.

E. United Nations Relief and Works Agency for Palestine Refugees in the Near East

302. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on UNRWA for the biennium ended 31 December 2001[6] is described below.

303. **In paragraph 11 (a), the Board recommended that, in conjunction with United Nations Headquarters, UNRWA review the funding mechanism and targets for end-of-service liabilities in line with policies adopted by other United Nations organizations.**

304. UNRWA wishes to reiterate that inadequate funding precludes it from establishing reserves for funding future separation liabilities. Hence, the funding of separation benefits is fulfilled as the need arises, from existing resources. If funding for separation liabilities were forthcoming, UNRWA would be able to create the reserve. As the United Nations meets separation benefits in respect of international staff, which form part of the common system, reserves for that purpose are not required.

305. The legal liability of UNRWA with regard to separation benefits was noted in paragraph 28 of the report. UNRWA will enquire of United Nations Headquarters regarding the funding mechanism and targets for end-of-service liabilities in line with policies adopted by other United Nations organizations.

306. The Deputy Commissioner-General and the Comptroller are responsible for implementation of the recommendation.

307. **In paragraph 11 (b), the Board recommended that UNRWA implement the asset module included in the newly acquired financial management system as a matter of urgency in order to rectify the deficiencies in the management and control of fixed assets. In addition, proper asset counts should form the basis of validating data in the asset module, and the assets should be properly stated in the financial statements and the notes thereto in terms of the Agency's accounting policy.**

308. The implementation of the fixed assets module of the financial management system, which is due to commence shortly, will facilitate more control over assets.

309. The Comptroller is responsible for implementation of the recommendation.

310. **In paragraph 11 (c), the Board recommended that UNRWA review unliquidated obligations on a regular basis to ensure the validity of such obligations and to cancel obligations that are no longer required.**

311. The recommendation will be implemented. Unliquidated obligations will be reviewed periodically.

312. The Comptroller is responsible for implementation of the recommendation.

313. **In paragraph 11 (d), the Board recommended that UNRWA strengthen its efforts to recover the outstanding tax reimbursement of $26.8 million and make further appeals to the relevant administrations to fully accept the tax-exempt status of the Agency.**

314. UNRWA management is vigorously pursuing the recovery of outstanding value-added tax (VAT) on an ongoing basis with the respective authorities. Since February 2002, the Palestinian Authority has granted a zero-VAT rating for goods and services equal to or exceeding a value of $1,000 in Gaza. This concession is yet to be extended to the West Bank, although the new Minister of Finance has promised to do so.

315. The ongoing implementation of the accounts receivable module of the financial management system in all locations is enhancing control over receivables. UNRWA will take appropriate action to resolve the long-outstanding amounts mentioned in paragraph 42 of the Board's report.

316. The Comptroller is responsible for implementation of the recommendation.

317. **In paragraph 11 (e), the Board recommended that UNRWA review its policy on the pre-financing**

of donor-specified projects in view of the adverse effects it could have on the implementation of other projects and the impact on the cash flow of UNRWA.

318. UNRWA has experienced shortfalls in the overall funding of its activities and as a result of delays in follow-up on pledges by donors. UNRWA activities, as expressed in its budget and approved by the General Assembly, are funded solely on a voluntary basis by the donor community. UNRWA is making an effort to broaden its donor base and raise additional funds for its regular and non-regular activities and to improve its cash flow situation. UNRWA selectively advances funds against confirmed pledges to initiate projects with minimum impact on its cash flow position.

319. The Comptroller is responsible for implementation of the recommendation.

320. **In paragraph 11 (f), the Board recommended that UNRWA evaluate headquarters operating costs with a view to further optimizing efficiency and effectiveness. This evaluation should cover both quantifiable aspects and non-quantifiable matters.**

321. There are two headquarters locations as a result of a political decision, and the current political circumstances make an early reversal of the decision unlikely. Therefore, conducting an evaluation of the benefits to merge the two locations at this stage would not be beneficial.

322. The Deputy Commissioner-General and the Comptroller are responsible for implementation of the recommendation.

323. **In paragraph 11 (g), the Board recommended that UNRWA revise its recruitment strategy to lower the number of vacancies at headquarters to an acceptable level to enable the Agency's functions to be performed in the most efficient and effective manner.**

324. The high vacancy rate at the Amman headquarters is due to high staff turnover and the ongoing restructuring of the Information Systems Division. In Gaza, it is primarily caused by the prevailing security situation, where the movement of area staff is restricted, thereby delaying the recruitment process. In view of the prevailing security situation and other difficulties in attracting qualified international staff, succession planning is extremely challenging, though UNRWA takes all measures to plan ahead.

325. The Director of Administration and Human Resources will ensure that the above actions are implemented.

326. **In paragraph 11 (h), the Board recommended that UNRWA improve its Audit and Inspection Department quality assurance process by documenting and retaining appropriate evidence of supervision. Furthermore, the Department should conduct internal quality assurance reviews on a regular basis.**

327. The Audit and Inspection Department will further improve its quality assurance process by documenting and retaining appropriate evidence of supervision, including internal quality assurance, on a regular basis. In conjunction with the overall improvement of the Department, the recommendations made in the peer review report are in the process of implementation.

328. The Director, Audit and Inspection Department, will ensure that the above actions are implemented.

329. **In paragraph 20, the Board recommended that UNRWA disclose the value of construction work in progress in the financial statements in order to comply with paragraph 50 of the United Nations system accounting standards.**

330. The implementation of this recommendation has already begun in the new financial management system. The disclosure of the value of construction work in progress will be made in the financial statements in compliance with paragraph 50 of the accounting standards.

331. **In paragraph 24, the Board recommended that UNRWA provide more details on: capital acquisitions, disposals and write-offs made during the biennium to reflect movements from the opening to the closing balance; changes in accounting policy and the restatement of prior-year amounts regarding land and buildings in the notes to the financial statements; and risks relating to foreign currency and the Agency's risk-management objectives in the notes to the financial statements.**

332. In order to implement the above recommendation, international accounting standard 39 will be reviewed for appropriate disclosures in the financial statements.

333. **In paragraph 26, the Board recommended that UNRWA improve its disclosure in the notes to the financial statements to adequately explain the prior-year adjustments.**

334. Please see paragraphs 330 and 332 above.

335. The Comptroller is responsible for implementation of the recommendations.

336. **In paragraph 43, the Board recommended that UNRWA implement the accounts receivable module in order to follow up receivable balances in a timely manner. In paragraph 45, the Board recommended that the Agency take appropriate action to resolve the long-outstanding amounts.**

337. Please see paragraphs 314 to 316 above.

338. **In paragraph 50, the Board recommended that the Agency conduct continuous follow-up on all outstanding contributions as well as long-outstanding debts.**

339. Please refer to paragraphs 318 and 319 above.

340. **In paragraph 70, the Board recommended that the Audit and Inspection Department conform to the standard for the professional practice of internal auditing and the code of conduct established by the Institute of Internal Auditors.**

341. The Audit and Inspection Department of UNRWA applies the general and specific standards of the professional practice of internal auditing adopted by the internal audit services of United Nations organizations. Definition of internal auditing, standards and code of ethics aligning with those of the Institute of Internal Auditors were adopted at the June 2002 meeting of representatives of internal audit services of United Nations organizations, and the Department will conform to the updated definition, standards and code.

342. **In paragraph 73, the Board recommended that the mandate of the Audit and Inspection Department be updated regularly to reflect the recent changes and expectations.**

343. The updating of the mandate of the Audit and Inspection Department will again be considered to conform to the outcome of the overall updating of standards discussed in the paragraph above.

344. **In paragraph 76, the Board recommended that UNRWA develop a formal professional development strategy with a view to providing up-to-date technical knowledge and competencies to ensure that the Audit and Inspection Department collectively obtains the required competencies and skills.**

345. The Audit and Inspection Department has developed a formal professional development programme, which is being implemented.

346. **In paragraph 78, the Board recommended that UNRWA extend the application of computer-assisted auditing techniques to increase the effectiveness and efficiency of the internal audits.**

347. The Audit and Inspection Department will extend the application of computer-assisted auditing techniques. Training opportunities to enhance the use of those techniques will be identified and, if necessary, additional funding will be sought for such training.

348. **In paragraph 82, the Board recommended that UNRWA develop a detailed programme indicating the time frames and resources per project for all audit assignments, which were expected to be carried out in 2002 and beyond.**

349. The Audit and Inspection Department will develop a detailed programme to indicate time frames and resources per project.

350. **In paragraph 90, the Board recommended that, with regard to the overall process for performing individual audits, the Audit and Inspection Department adequately review the audit working papers, in a timely manner and at the appropriate level, in compliance with the Institute of Internal Auditors standards, and the Department agreed. The Department also agreed to improve on the completion procedure as it relates to file reviews, completeness and follow-up.**

351. The Audit and Inspection Department will continue to improve its performance with respect to timely review of working papers and the completion of procedures related to file reviews.

352. **In paragraph 92, the Board recommended that stricter time frames be established and enforced to improve and strengthen the processes of reporting and follow-up. In paragraph 93, UNRWA informed the Board that the Audit and Inspection Department would adopt appropriate means to compare actual against budgeted time for review and to follow up variances.**

353. UNWRA agrees with the Board's recommendations, and the Audit and Inspection

Department will adopt an appropriate means of comparing time spent on an audit against time budgeted for review and will follow up variances.

354. **In paragraph 97, the Board recommended that the Audit and Inspection Department strengthen supervisory responsibilities as appropriate, as well as its documentation of the supervisory review.**

355. UNWRA agrees with the Board's recommendation and will ensure that supervisory responsibilities are further strengthened through delegation, as appropriate, and will document supervisory review.

356. **In paragraph 101, the Board recommended that the Audit and Inspection Department develop, implement and monitor detailed time sheets. The Department agreed to amend the table of recommendations to provide for follow-up of specific responses and agreed that a summarized table should be kept for overall follow-up and review purposes.**

357. The Audit and Inspection Department will further improve its response and recommendation implementation table to facilitate tracking of responses received for overall follow-up and review purposes. The Department reports periodically to the Commissioner-General on the status of implementation of the recommendations.

358. The Director, Audit and Inspection Department, is responsible for implementation of the last nine recommendations above relating to the Internal Audit Division.

359. **In paragraph 106, the Board recommended that UNRWA update the disaster recovery plan for all areas.**

360. UNRWA acknowledges the overall need for implementing the Board's recommendations and is currently implementing them as part of the ongoing restructuring of the Information Systems Division. The Division has developed disaster recovery procedures for various areas but has not been able to compile and update the standing official disaster recovery plan because of a lack of resources. This activity will be given a high priority after the restructuring of the Information Systems Division.

361. **In paragraph 110, the Board recommended that UNRWA formally compile, document and approve programme change control procedures covering the entire process, from the initial change request to the eventual migration of the change into the production environment.**

362. No official change control procedures were developed for most of the online systems currently in production. The Information Systems Division has not been able to address this issue with its current structure because of the lack of adequate resources in the systems development management area. The Division will be able to embark on rectifying this weakness after the implementation of the proposed restructuring.

363. **In paragraph 115, the Board recommended that UNRWA develop a formal systems development life-cycle methodology to govern the process of developing, acquiring, implementing and maintaining computerized information systems and related technology.**

364. The development of systems development life cycle methodology is a major task to be undertaken by the proposed Head, Development Unit, to be established as part of the restructuring of the Information Systems Division.

365. The Director, Operational and Technical Services Department, is responsible for implementation of the above recommendations relating to information system technology.

366. **In paragraph 121, the Board recommended that UNRWA develop its own fraud-prevention plan, including fraud-awareness initiatives. In developing the plan, UNRWA should discuss features of it with the United Nations and other funds and programmes to obtain the benefit of best practices, where available, in specific elements or all of the elements being considered.**

367. UNRWA agrees in principle with the Board's view on fraud prevention. The initiative to identify fraud incidents began in 1999 with the issuance of an Agency-wide administrative circular. The circular outlined detailed procedures for reporting, receiving and handling all allegations and complaints. The initiative was followed with the reorganization of the Internal Audit Division into an Audit and Inspection Department. Consequently, in 2000, the Department's mandate was amended to include inspection and investigation.

368. Over the past three years, several Audit and Inspection Department staff members have participated in fraud seminars organized by other United Nations agencies and have developed investigative skills and expertise. The staff of the Department have carried out investigations on their own and in coordination with the Office of Internal Oversight Services. Professional development training will be carried out once funding is secured in the new biennial budget.

369. The implementation of the recommendation is the responsibility of department heads in consultation with the Director, Audit and Inspection Department.

F. United Nations Institute for Training and Research

370. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on UNITAR for the biennium ended 31 December 2001[7] is described below.

371. **In paragraph 12 (a), the Board recommended that UNITAR apply a lower support cost only after certifying in writing that the funding of the project would otherwise be jeopardized.**

372. UNITAR has established a policy to levy programme support costs at 13 per cent. In exceptional cases, the Executive Director may lower the rate. All exceptions are documented, and contain the authorization of the Executive Director and the reason for the use of the lower rate. Concerning UNDP projects, support services for policy and programme development projects and support for technical services at the project level projects do not incur programme support costs. These are standard UNDP projects that are used throughout the United Nations agencies and for which the rules have been set by UNDP. For administrative and operational services projects, in accordance with UNDP rules the standard rate of 10 per cent shall be used unless a different rate has been negotiated. UNITAR will endeavour to ensure that the standard rate of 10 per cent is used and will document any projects using a lower rate in the manner described for special-purpose grants.

373. The Executive Director and the Finance and Administration Officer are responsible for implementation of the recommendation.

374. **In paragraph 12 (b), the Board recommended that UNITAR update its database so that the Executive Director's report includes a breakdown of participants by country category.**

375. The recommendation has been implemented. The database has been established and updated. Statistics for the two-year period from July 2000 to June 2002 will be published in the next report of the Executive Director, which is due in 2002.

376. The Executive Director and the Finance and Administration Officer are responsible for implementation of the recommendation.

377. **In paragraph 12 (c), the Board recommended that UNITAR address the discrepancy outlined by the General Assembly between the decline in contributions to the General Fund of the Institute and the increase in industrialized countries' participation in its programmes.**

378. This matter was discussed at the fortieth session of the Board of Trustees in May 2002. The Board has established a committee of six trustees to assist the Executive Director in fund-raising tasks including the matter of the discrepancy between country contributions to the General Fund of the Institute and country participation in the programmes.

379. The Executive Director is responsible for implementation of the recommendation.

380. **In paragraph 20, the Board recommended that UNITAR continue to monitor the potential need for a special-purpose grant fund reserve and set up such a reserve in compliance with administrative instructions ST/AI/284 and ST/AI/285 as soon as it is warranted by the circumstances.**

381. Reference is made to administrative instruction ST/AI/284, annex, section III.A, which states that, normally, an operating cash reserve at a constant level of 15 per cent of estimated annual planned expenditures will be maintained during the implementation of trust fund activities to cover shortfalls and will be utilized to meet the final expenditures under the trust fund, including any liquidating liabilities.

382. UNITAR has approximately 80 separate trust fund accounts. All expenditure is planned in advance; normally, a detailed budget is agreed upon with the donors. There is no margin to retain 15 per cent. All

expenditure is strictly controlled, especially since the IMIS accounting system was installed. UNITAR does not incur overspending, and the creation of a reserve is considered overly prudent and not in the best interests of UNITAR, as a serious cash-flow problem could be created. Furthermore, the creation of such a fund would leave a balance remaining after the life of the project, which normally would have to be returned to the donors. Administrative instructions ST/AI/284 and ST/AI/285 state that normally, an operating reserve will be maintained, however, the reserve is not compulsory. UNITAR will continue to monitor the potential need for a special purpose grant fund reserve and will set up a reserve if it is considered necessary.

383. The Executive Director and the Finance and Administration Officer are responsible for implementation of the recommendation.

384. **In paragraph 25, the Board considered that, especially in view of the limited and decreasing resources of UNITAR, the Institute should provide for separation costs for non-regular-budget staff members entitled to international benefits, including the possibility of amending the implementation of IMIS payroll posting rules, if necessary, to set up a reserve as a percentage of net salaries.**

385. UNITAR welcomes this recommendation and will work together with the United Nations Office at Geneva during the current financial period to set up a suitable system.

386. The responsibility for implementing this recommendation lies with the Finance and Administration Officer.

Status of implementation of the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1999[8]

387. **In paragraph 22, the Board recommended that UNITAR appraise the recoverability of the remaining deficit balances and write off any amounts that were not recoverable.**

388. The Board has now requested the United Nations Office at Geneva to endeavour to recover the amount paid to a former staff member in error. UNITAR is aware that the Office is working on this recommendation.

389. **In paragraph 28, the Board recommended that UNITAR obtain from UNDP supporting documentation for outstanding inter-office vouchers, in the absence of which UNITAR should agree with UNDP how the amounts concerned should be cleared.**

390. UNITAR has recently received some correspondence from UNDP on this subject. UNDP is investigating further. UNITAR hopes that these two problems will be solved by the end of 2002. The Finance and Administration Officer and Executive Director are responsible for implementing the recommendations.

G. Voluntary Funds administered by the United Nations High Commissioner for Refugees

391. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on the Office of the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2001[9] is described below.

392. **In paragraph 13 (a), the Board recommended that UNHCR modify its accounting policy and financial system on expenditure in order to comply with United Nations system accounting standards through an accurate accounting of disbursements and valid unliquidated obligations.**

393. UNHCR notes and agrees with the recommendation. UNHCR further informs the Board of Auditors that, with the implementation of the management systems renewal project, planned for 2003/04, the appropriate expenditure recognition policy and recording practices will be set in accordance with United Nations system accounting standards.

394. **In paragraph 13 (b), the Board recommended that UNHCR assess the feasibility and cost-effectiveness of modifying the rules on the control of implementing partner expenditure, with a view to obtaining audit certificates covering the financial reports submitted by the international NGOs and governmental partners; monitor corrective action taken by field offices in the case of audit certificates with qualifications or major findings and document the follow-up; and consider the establishment of a comprehensive database on local audit resources**

history and results to facilitate audit monitoring and risk assessment.

395. The auditors' recommendation has been duly noted. Since 1997, UNHCR and its partners have invested considerable financial and human resources to produce on time the required audit certificates, and marked progress has already been achieved. Nevertheless, UNHCR continues its efforts to obtain the audit certificates as early as possible after the final date for liquidation of obligations. UNHCR is currently, with the assistance of the UNHCR Audit Service and the Office of Internal Oversight Services, analysing the feasibility and cost-effectiveness of requesting independent subproject monitoring report certification and management letters for international NGOs and governmental partners. In addition, UNHCR, with the assistance of the Office of Internal Oversight Services, is reviewing the current procedures for the monitoring of audit certificates received from implementing partners, and is analysing the possibility of creating a comprehensive database on local audit resources history and results. During the first quarter of 2003 a proposal on the changes in the policy relating to the audit certificates of implementing partners will be presented to UNHCR senior management.

396. **In paragraph 13 (c), the Board recommended that UNHCR manage exchange rate risks by adopting a more proactive, hedging stance.**

397. UNHCR is consulting other United Nations agencies on their experience with hedging exchange risks, particularly in cases when the dates of future transactions are not determined. In parallel, UNHCR is seeking specialist advice from banks.

398. **In paragraph 13 (d), the Board recommended that UNHCR set and regularly update a comprehensive database in respect of bank services, based on written agreements, and launch a competitive bidding for all headquarters bank accounts in order to obtain the best conditions and services.**

399. UNHCR has completed a review of the contractual services provided for all headquarters bank accounts, including an update of applicable general terms and conditions of banks. UNHCR has launched a competitive bidding for headquarters bank accounts in the European Monetary Union.

400. **In paragraph 13 (e), the Board recommended that UNHCR address the current functionality deficiencies and define clear development strategy needs for its Financial Management Information System (FMIS), factoring in the technological delays that have built up with FMIS developments over the last few years and the decisions that will be taken to restart the integrated system project or a similar project and its provisional roll-out date. The Board further recommended that, as long as FMIS produced the accounts, a risk estimation procedure be implemented.**

401. UNHCR takes note of the recommendation. It should be noted that the FMIS stakeholders met a number of times during 2001 and the first half of 2002 to discuss the functionality, risk and shortcomings of the system. Between May and June 2002, various scenarios, costs and benefits were reviewed in relation to the time frame for the intended restart of the integrated system project. As a result, an upgrade of FMIS in the field to current technological standards and requirements of the Windows environment is envisaged. This upgrade will stabilize the system and lead to better data integrity, especially in the field. The FMIS team is now in the process of finalizing the software modifications, and a pilot project is planned for September 2002. Further steps will be considered in the context of the implementation of the management systems renewal project, as decided in July 2002, taking into account the availability of resources.

402. **In paragraph 13 (f), the Board recommended that UNHCR consult with the United Nations Secretariat and other relevant United Nations entities to ensure that in terms of cost-benefit the present diversity of information systems approaches is in the best interest of Member States and of the beneficiaries of United Nations programmes; and that it ascertain that there are no ready-made solutions, even at the cost of alterations in current UNHCR procedures, preferably within the United Nations system.**

403. The recommendation has been duly noted. Having undergone an extensive software evaluation and procurement process, UNHCR stands behind the choice of PeopleSoft as the enterprise resource planning package that best fits the needs of the organization. UNHCR is in discussion with both UNDP and the International Fund for Agricultural Development, both of which are PeopleSoft clients, to

determine areas in which inter-agency collaborative efforts are feasible.

404. **In paragraph 17, the Board recommended that: (a) should the General Assembly wish to pursue the matter, it should request UNHCR to perform a detailed review and cost estimate of the modifications implied by a biennial cycle; (b) regardless of the outcome, UNHCR should examine the cost of taking into account in its new information system the possibility of biennial cycles.**

405. UNHCR is currently examining the implications of biennial cycles on planning, funding and budgeting. The possibility of biennial cycles will also be taken into account in the new management systems renewal project information system, planned for 2003/04.

406. **In paragraph 21, the Board recommended that: (a) UNHCR formally state the scope of "administrative expenditure"; and (b) the UNHCR statute be eventually amended should the planned phased increases from the United Nations regular budget not be sufficient to fund UNHCR administrative expenditure.**

407. By way of clarification, it should be noted that the current United Nations regular budget contribution was increased by 5.1 per cent ($2 million) for the biennium 2002-2003, "with subsequent increases to be considered in the context of proposals for subsequent bienniums" (A/56/6 (Sect. 23), para. 23.19). It will be recalled that UNHCR now has three categories of posts, namely management and administration, programme support and programme posts. Management and administration posts are found only at headquarters, programme support posts at both headquarters and in the field and programme posts only in the field. In the proposed UNHCR budget for 2003, management and administrative costs amount to $58.1 million. As stated in the budget, "The management and administration category was found to be consistent with the type of posts (non-operational) now funded by the regular budget" (ibid.). The objective of UNHCR is to move to the full funding of this category of posts under the United Nations regular budget.

408. As regards the proposed review of the statute, it will be recalled that recently a declaration of States parties to the 1951 Convention and/or its 1967 Protocol relating to the status of refugees was organized jointly by Switzerland and UNHCR to commemorate the Convention's fiftieth anniversary. In an environment in which the Convention has come under increasing attack, this declaration is a major step forward in that it has reaffirmed the commitment of States to the Convention and to its proper and full application. Given the intimate link between the Convention and the statute in the definition of a refugee and the competence of the High Commissioner, it is not felt, at this time, that the statute should be revisited to look merely at the financing of the administrative expenses of the Office.

409. **In paragraph 29, the Board recommended that UNHCR adopt a consistent policy with regard to the number of staff members to be taken into account for calculation of termination liabilities, and UNHCR agreed.**

410. UNHCR confirms that it will exclusively use the latest available official staffing figures from its database to determine the number of staff for calculation of termination liabilities.

411. **In paragraph 31, the Board recommended that UNHCR, in conjunction with United Nations Headquarters, review the funding mechanism and targets for end-of-service liabilities in line with other United Nations organizations.**

412. Following a request of the Advisory Committee on Administrative and Budgetary Questions,[10] the United Nations Secretariat is preparing a report on the long-term implications and impact of the growth in the liability of the Organization for after-service health insurance benefits.

413. **In paragraph 41, the Board recommended that, whenever a party is held responsible for losses of cash, receivables and property and asked to refund the Organization, UNHCR promptly record the related amounts on an accrual basis to improve control and accountability.**

414. The recommendation has already been implemented. In June 2002, instructions were sent to all heads of field offices to record miscellaneous receivables and the corresponding miscellaneous income upon receipt of Asset Management Board decisions regarding cases where staff members or implementing partners were held responsible for the impairment or loss of assets and were asked to refund the Organization. In addition, the same instructions are being included in the forthcoming inter-office memorandum/field office memorandum on asset

management boards, now being finalized by the Asset Management Unit, Supply Management Section. Specifically, case report and recommendation forms containing decisions on such cases will indicate the accounting entries that should be made in this respect.

415. **In paragraph 53, the Board recommended that UNHCR verify without further delay the expenditure reported by governmental partners.**

416. Further to discussions between UNHCR and the governmental partner, the latter agreed to open its accounts for review. The verification of expenditures reported by the governmental partners should be completed before the end of the year.

417. **In paragraph 56, the Board encouraged UNHCR to continue its efforts in verifying subproject monitoring reports effectively.**

418. UNHCR takes note of the recommendation. As mentioned by the Board, in April 2002 UNHCR amended the financial part of the subproject monitoring report format to incorporate additional fields whereby partners are to disclose separately any income received (e.g., interest earned). The new format also includes additional lines that provide more extensive explanations regarding the certification by the implementing partner and the extent of the verification made by UNHCR (as to completeness, compliance and accuracy with respect to the subagreement). In addition, the new guidelines for the verification and acceptance of subproject monitoring reports, which were issued in December 2001, will show their impact in the course of 2002, and are expected to result in more effective financial monitoring.

419. **In paragraph 66, the Board recommended that UNHCR: (a) with the assistance of the Office of Internal Oversight Services, define the requirements for government audits and the resulting audit certificates and provide guidance, as has been done for local NGOs; (b) when a public audit institution is not available, invite Governments to engage private audit firms selected to perform the audit of government-implemented subprojects; and (c) include in its guidelines specific procedures and predetermined criteria to ensure that the local external auditors possess the required independence, integrity and technical competence and are appropriately monitored when they come from the private sector, and that they are provided with adequate audit terms of reference.**

420. UNHCR, with the assistance of the Office of Internal Oversight Services, is currently reviewing and analysing the whole process of obtaining audit certificates from implementing partners as mentioned in paragraph 395 above. It is planned to propose a revised policy to senior management during the first quarter of 2003. However, it should be noted that, in the case of some governmental partners, the audit of government accounts is not carried out systematically on a yearly basis. Indeed, many countries have a policy of auditing their institutions every two years and on a random basis, and therefore UNHCR projects may not be included in the general government audit, but may require a separate project audit by the government institution. This audit will normally have lower priority than the mandatory audit of the State's accounts. Furthermore, since the government audit institution is not remunerated by UNHCR for providing audit certificates, possibilities for changing priorities or speeding up the audit process are very limited.

421. UNHCR is considering the option of including in the subagreement a provision to allow a private sector audit firm contracted by UNHCR in consultation with the Government to audit the government-implemented project when a governmental audit institution cannot undertake the work, in order to guarantee the independence and timeliness of the audit. UNHCR is reviewing potential cost implications and Governments' acceptance of audits performed by private sector audit firms. UNHCR has already established guidelines for hiring the services of local external auditors (UNHCR Manual, chap. 4, annex 8.8). With the assistance of the Office of Internal Oversight Services, UNHCR will review and amend those guidelines, as required, for the audit of government-implemented projects.

422. **In paragraph 68, the Board recommended that UNHCR request implementing partners to budget and disclose the resources allocated for certification in all cases and to develop guidelines for an effective monitoring of audit resources.**

423. UNHCR takes note of the recommendation. As previously mentioned in paragraphs 395 and 420 above, UNHCR, with the assistance of the Office of Internal Oversight Services, is currently reviewing and analysing the whole process of obtaining audit certificates from implementing partners. The proposed revised policy relating to audit certificates of implementing partners, which will be presented to

senior management during the first quarter of 2003, will also consider the various aspects of effective monitoring of audit resources.

424. **In paragraph 71, while acknowledging that in some circumstances audits could not be performed, the Board noted with concern the lack of improvement over 1998 and recommended that UNHCR enforce deadlines for the submission of audit certificates.**

425. The recommendation has been duly noted. As already mentioned paragraphs 395 and 420 above, UNHCR, with the assistance of the Office of Internal Oversight Services, is reviewing and analysing the current procedures related to obtaining audit certificates from implementing partners. It is hoped that the proposed changes will improve the submission of audit certificates received from implementing partners in terms of both time and quality.

426. While UNHCR agrees with the Board that there is a need to enforce deadlines for the submission of audit certificates, the level of compliance in recent years by implementing partners is as follows:

1998: 79 per cent, including 64 per cent of the government implementing partners, 93 per cent of the international NGOs and 65 per cent of the local NGOs

1999: 84 per cent, including 74 per cent of the government implementing partners, 95 per cent of the international NGOs and 66 per cent of the local NGOs

2000: 74 per cent, including 74 per cent of the government implementing partners, 87 per cent of the international NGOs and 52 per cent of the local NGOs

427. **In paragraph 82, the Board recommended that UNHCR continue its efforts to streamline and optimize the management of its field office banking operations.**

428. UNHCR is reviewing all banking operations in the field with significant bank charges and without corresponding interest income.

429. **In paragraph 84, the Board recommended that UNHCR ensure that all bank signatories are UNHCR staff, designated in compliance with its rules.**

430. UNHCR has reviewed and updated the lists of bank signatories.

431. **In paragraph 90, the Board recommended that UNHCR: (a) allocate the human and budgetary resources required to maintain the current system; and (b) separate the support, maintenance, development and production tracking functions to ensure the reliability of accounting and financial data.**

432. UNHCR recognizes the importance of separating support and development functions. However, it is felt that, owing to current budgetary restrictions as well as the upcoming systems replacement, UNHCR should dedicate its scarce resources to ensuring the timely implementation of the new systems rather than investing additional resources in maintaining legacy systems. UNHCR will address the separation of development and support functions as part of the structure that will be put into place both during the implementation of the new systems and in the post-implementation phase.

433. **In paragraph 94, the Board recommended that UNHCR negotiate a discount on hardware and maintenance services until the integrated system project has resumed and update the inventory of the skills acquired through the training courses in order to optimize in due time any resumption of such training.**

434. Since February 2002, senior management has commissioned three initiatives to address areas of concern that occasioned the suspension of the integrated system project in June 2001. After reviewing the results of the three studies and carefully weighing the potential cost and the risks of alternative solutions, senior management made a decision in July 2002 to continue the project. With the project restarting, the hardware and software purchased in previous phases of the project that are still under maintenance are now being utilized. The inventory of skills for staff members still on the project will be updated accordingly. As part of the project plan, a training strategy for new project team members will be developed.

Status of implementation of the recommendations of the Board of Auditors in its report for the year ended 31 December 2000[11]

435. **In paragraph 10 (a), the Board indicated that its recommendation that UNHCR make the preparation of work plans an integral part of the project-planning and monitoring processes, made in 1995, 1996, 1998 and 1999, had yet to be implemented.**

436. As mentioned by the Auditors, the production of a guide for the use of work plans when preparing projects and subprojects was not finalized within the initially foreseen time frame owing to operational and staffing constraints. However, UNHCR has prepared a first draft of a mini-guide on the use of work plans. The draft makes reference to the instructions regarding the use of work plans and to the *Practical UNHCR Guide on Objective-setting*, which includes the setting of milestones, objectives, outputs and indicators. It also sets out when the use of a work plan is required. It is anticipated that, by autumn of 2002, a final draft of the mini-guide will be ready for issuance.

437. **In paragraph 10 (b), the Board indicated that its recommendation that UNHCR ensure complete and accurate disclosure of non-expendable property and conduct physical stock checks on a regular basis, made in 1996, 1997, 1998 and 1999, had yet to be implemented.**

438. UNHCR takes note of the recommendation. It should be noted that responsibility for the asset management function was moved to the Supplies and Transport Section in April 2001 for integration within the supply chain concept adopted by UNHCR. UNHCR strengthened the function at headquarters with the creation of a P-4 post for the head of the Asset Management Unit, which was filled in October 2001. A comprehensive plan of action has been drafted, which includes revisions to the authority and procedures for asset management boards, initiation of an internal asset market through a newly designed web browser, enhancements to the AssetTrak database to support the revisions, and the production and promulgation of procedures as part of the supply chain project. In addition, many supporting documents and systems are to be revised and clarified with the aim of improving results prior to the end of 2002.

H. Fund of the United Nations Environment Programme

439. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report the Fund of UNEP for the biennium ended 31 December 2001[12] is described below.

440. **In paragraph 12 (a), the Board recommended that the Administration verify the status of the investments made by the Convention on International Trade in Endangered Species of Wild Fauna and Flora in the cash pool, including the delegation of authority, with a view to harmonizing UNEP procedures in managing and reporting investments.**

441. UNEP expresses its appreciation of the need for a common investment policy. As part of its ongoing efforts to implement the recommendation, UNEP intends to hold further discussions with the Convention secretariat on the matter.

442. The Chief, Budget and Financial Management Service, United Nations Office at Nairobi, is responsible for implementation of the recommendation.

443. **In paragraph 12 (b), the Board recommended that UNEP resolve all reconciling items identified during the preparation of monthly bank reconciliation statement and make the necessary adjustments in the books of accounts.**

444. The recommendation has been fully implemented. All bank reconciliations have been completed.

445. The Chief, Budget and Financial Management Service, United Nations Office at Nairobi, is responsible for implementation of the recommendation.

446. **In paragraph 12 (c), the Board recommended that UNEP ensure that the databases of the Project Management System and IMIS remain in agreement until the interface between the two systems is completed.**

447. UNEP accepts the Board's recommendation. The databases of both IMIS and the Project Management System will run in parallel until all data are converted into IMIS. This is expected to continue until the end of 2004. UNEP has made good progress in closing inactive projects. As at 20 April 2002, 100 inactive projects remained to be closed, whereas at the end of 2000 more than 200 inactive projects were to be

closed. Management is closely following up on the matter.

448. The Chiefs, Division of Administrative Services and Budget and Financial Management Service, United Nations Office at Nairobi, are responsible for implementation of the recommendation.

449. **In paragraph 12 (d), the Board recommended that UNEP continuously assess the efficiency and effectiveness of the implementation of the terms of agreement and explore ways to optimize the accounting and financial services provided by the Economic Commission for Latin America and the Caribbean with a view to basing the agreement on cost-effectiveness and efficiency in the future.**

450. The Regional Office for Latin America and the Caribbean of UNEP has been meeting periodically with the administrative and financial offices of the Economic Commission for Latin America and the Caribbean (ECLAC) to address delays in the provision of reports, to clear financial statements and to check on the status of payments. The Regional Office for Latin America and the Caribbean has also been working closely with ECLAC consultants to review and streamline the format of the reports. Operational problems with ECLAC will be discussed when the agreement is reviewed. However, as from early September 2002, the Regional Office for Latin America and the Caribbean will operate an imprest account and will no longer depend on services from ECLAC.

451. The Chief, Budget and Financial Management Service, United Nations Office at Nairobi, is responsible for implementation of the recommendation.

452. **In paragraph 38, the Board recommended that projects be approved before they are started. The Board also recommended that UNEP establish a reasonable lead time for the review and approval of project documents.**

453. The Project Approval Group was already paying particular attention to the proposed starting date of each proposed project to prevent projects starting before they are formally approved, and a memorandum was sent in September 2001 to alert all concerned that the average lead time for approval of a project once drafted and submitted for review was four weeks. Cash advances are not paid to implementing agencies before a project is formally approved.

454. The Deputy Executive Director, in a memorandum dated 6 April 2002 addressed to all division directors, stated that project proponents needed to take into account that the lead time for review and approval of project documents would normally be four weeks, but that was dependent on prompt responses from the project proponents to project review comments and recommendations. The memorandum also stated that project proponents needed to take into account that in cases where implementing agencies needed to approve the project, the lead time might be several months longer, according to the reaction time of the implementing agencies. Further, project proponents should ensure that no project should start before it had been fully approved internally and by all implementing partners, if any.

455. The Programme Coordination and Management Unit has responsibility for implementing this recommendation.

456. **In paragraph 41, the Board recommended that UNEP should ensure that projects are first approved before they are started and that it establish a reasonable lead time for the review and approval of project documents.**

457. This recommendation has been implemented. (See paras. 453-454 above.)

458. **In paragraph 44, the Board recommended that UNEP continue reviewing the causes for the non-submission of the required reports to facilitate the closure of inactive projects.**

459. The recommendation has been accepted. Management closely follows up on the submission of reports required for closure of inactive projects. (See para. 447 above.)

460. **In paragraph 48, the Board recommended that the Executive Director of UNEP take the initiative in bringing to the attention of the United Nations System Chief Executives Board for Coordination the possibility of developing a framework to implement the environmental policies in the United Nations system.**

461. Most United Nations agencies have established an environmental focal point in their institutions to develop their own environmental policies. While UNEP has the mandate relating to environment, it can neither dictate nor impose on other United Nations

agencies environmental policies and management systems, considering that those agencies have their respective governing bodies that provide direction. UNEP will therefore bring the matter to the attention of appropriate United Nations Inter-agency bodies.

462. The Director, Division of Policy Development and Law, is responsible for implementation of the recommendation.

463. **In paragraph 50, the Board recommended that UNEP speed up the process of finalizing the agreement with the United Nations Office at Geneva for administrative, financial and information technology services.**

464. The recommendation has been implemented. Dialogue has been established with the United Nations Office at Geneva on this issue, and its response is pending.

465. The Chief, Division of Administrative Services, is responsible for implementation of the recommendation.

I. United Nations Population Fund

466. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on UNFPA for the biennium ended 31 December 2001[13] is described below.

467. **In paragraph 10 (a), the Board recommended that UNFPA review the funding mechanism and targets for end-of-service benefits in conjunction with the United Nations and other funds and programmes.**

468. UNFPA concurs that there is a need for improving the methodology for computing and disclosing end-of-service benefits. The Chief, Finance Branch, will participate in any inter-agency discussions on the matter. However, given its small staff, UNFPA would not be in a position to be the lead agency.

469. The Director, Division for Finance Administration and Management Information Systems, and the Executive Director are responsible for implementation of the recommendation.

470. **In paragraph 10 (b), the Board recommended that UNFPA take immediate action to bring to a conclusion the advance in respect of field accommodation that has remained outstanding for eight years.**

471. UNFPA has made a considerable effort to resolve the issue. Despite extensive ongoing negotiations with UNDP and the involvement of the Office of Legal Affairs of the Secretariat, the matter remains unsettled. The major hurdle to date has been the inability of UNDP to provide and substantiate costs incurred under the original reserve for field accommodation project. At this juncture further proposals are awaited from UNDP. UNFPA expects to resolve this issue in 2002.

472. The Deputy Executive Director for Management is responsible for implementation of the recommendation.

473. **In paragraph 10 (c), the Board reiterates its recommendation that UNFPA improve its monitoring procedures to ensure that country offices do not exceed their expenditure allocations.**

474. UNFPA accepts the recommendation that it should improve its monitoring procedures. Financial discipline is one of the key competencies in the UNFPA performance assessment process. Representatives and division directors who authorize expenditures over and above their ceiling will be held fully accountable. On an aggregate level, UNFPA stayed well within its resources. The accounts of the biennium 2000-2001 were closed with an overall surplus of $67.4 million in regular resources. Country offices are primarily concerned that country programme and subprogramme expenditures stay within the levels approved by the Executive Board. Due to the volatile nature of the programme environment and related implementation dynamics, individual budget lines have been overspent on occasion. However, UNFPA recognizes the importance of this observation and country offices will be reminded to stay within approved project budgets.

475. The Director, Division for Finance Administration and Management Information Systems, and the Chief of UNFPA Audit Section are responsible for implementation of the recommendation.

476. **In paragraph 10 (d), the Board recommended UNFPA ensure that standard terms of reference are agreed between the country office, governmental implementing partners and the auditor of nationally executed expenditure, and that the scope and format of the audit is consistent; and compile a**

mandatory checklist of the standard requirements to assist country offices in adhering to the requirements of the UNFPA Policies and Procedures Financial Manual.

477. UNFPA will develop a checklist of standard requirements to assist country offices to adhere to the requirements of the finance manual for the 2002 audit exercise. Also, during management audits of the country offices and programme divisions at headquarters, it will ensure that standard terms of reference have been agreed to between the country offices and programme divisions, the implementing agency and implementing partners for audits of nationally executed expenditure.

478. The Director, Division for Finance Administration and Management Information Systems, and the Chief of the UNFPA Audit Section are responsible for implementation of the recommendation.

479. **In paragraph 10 (e), the Board recommended that UNFPA intensify its efforts to improve the audit coverage in countries in which coverage was low and implement controls to obtain compensating assurances that funds were used for the purposes intended.**

480. UNFPA is following up with country offices and concerned headquarters divisions to ensure audit coverage for the 2001 audit. A low project audit coverage is a main criterion for a management audit of a country office. UNFPA prepares a list of offices with low audit coverage and will ensure compensating assurances while making every effort to increase the audit coverage.

481. The directors of the geographical divisions and the Executive Director are responsible for implementation of the recommendation.

482. **In paragraph 10 (f), the Board recommended that UNFPA quantify the financial effect of the audit qualifications made in respect of nationally executed expenditure and evaluate such qualifications against the action plans for reasonableness.**

483. The recommendation is already being implemented. UNFPA had started to quantify the financial effect of the audit qualifications with the 2001 audit exercise and will evaluate the qualifications against the action plans for reasonableness when the plans are received.

484. The Director, Division for Finance Administration and Management Information Systems, and the Chief of the UNFPA Audit Section are responsible for implementation of the recommendation.

485. **In paragraph 10 (g), the Board recommended that UNFPA perform a forward-planning exercise to ensure that sufficient resources are available to evaluate audit reports on nationally executed expenditure after the prescribed deadline.**

486. UNFPA agrees to increase forward planning to ensure that evaluations of audit reports are issued in a timely manner. Additional staff were recently assigned to ensure that evaluations are issued on time. This resulted in improved performance in the 2001 exercise.

487. **In paragraph 10 (h), the Board recommended that UNFPA create a comprehensive database which would facilitate the implementation of a risk-based assessment model.**

488. UNFPA agrees to create a comprehensive database to facilitate the implementation of a risk-based assessment model. Design and set-up of the database will begin towards the end of 2002. The basic elements of the system are expected to be in place in the first quarter of 2003.

489. The Chief, Office of Oversight and Evaluation, and the Chief of the UNFPA Audit Section will collaborate in implementing the recommendation.

490. **In paragraph 10 (i), the Board recommended that UNFPA maintain data relating to the audit cost for each project on the consolidated database and analyse the cost in order to determine whether the benefit of the actual audit exceeds the cost, its relation to project expenditure and the risk assigned to the project.**

491. UNFPA has been keeping data on the total cost of audits per country in the audit plan database but will obtain and or include the cost per audit project in the consolidated database. For the 2001 exercise, the cost-benefit analysis was done by the country offices and programme divisions in the process of selecting projects to be audited with the objective of auditing 90 per cent of nationally executed expenditure.

492. The Director, Division for Finance Administration and Management Information Systems, and the Chief of the UNFPA Audit Section are responsible for implementation of the recommendation.

493. **In paragraph 10 (j), the Board recommended that UNFPA conclude service-level agreements with UNDP to ensure that services and costs are defined and to enable UNFPA to be fully accountable for transactions incurred on its behalf.**

494. UNFPA expects all service agreements to be concluded in 2002.

495. The Director, Division for Finance Administration and Management Information Systems, is responsible for implementing the recommendation.

496. **In paragraph 17, the Board recommended that UNFPA approach its Executive Board with a view to defining the range of financial assumptions on which the operational reserve should be based and that, furthermore, UNFPA clearly disclose the basis of computing the reserve in the notes to the financial statements.**

497. UNFPA accepts the recommendation. UNFPA will disclose the methodology employed in a note to the financial statements for the biennium 2002-2003. The guidance of the Executive Board will be sought on how the methodology could best be formalized. It should be pointed out that by UNFPA Governing Council decision 91/36, the Executive Board is mandated to review the level of the operational reserve every other year.

498. The Director, Division for Finance Administration and Management Information Systems, in collaboration with the Director, Information and External Relations Division, are responsible for implementation of the recommendation.

499. **In paragraph 21, the Board recommends that UNFPA should make a provision for doubtful collection which should be appropriately disclosed in the financial statements and the notes thereto.**

500. UNFPA accepts the recommendation. UNFPA will review the outstanding pledges and make a recommendation for eventual write-offs. For the 2002-2003 financial statements, UNFPA will arrange for write-offs of doubtful collections. The methodology employed will be disclosed in a corresponding note.

501. The Director, Division for Finance Administration and Management Information Systems, is responsible for implementation of the recommendation.

502. **In paragraph 23, the Board recommended that UNFPA disclose investments, in accordance with paragraph 48 (ii) of United Nations system accounting standards, in the notes to the financial statements.**

503. UNFPA will ensure the disclosure of the value of investments in accordance with paragraph 48 (ii) of the accounting standards. Any bookkeeping errors regarding the 2000-2001 statements will be corrected by adjusting entries.

504. The Director, Division for Finance Administration and Management Information Systems, is responsible for implementation of the recommendation.

505. **In paragraph 25, the Board recommended that UNFPA avoid offsetting debit and credit balances in contravention of paragraph 46 of the accounting standards.**

506. UNFPA accepts the recommendation and will immediately discontinue the practice of "netting out" within the limitations of IMIS.

507. The Director, Division for Finance Administration and Management Information Systems, is responsible for implementation of the recommendation.

508. **In paragraph 29, the Board recommended that UNFPA perform regular reconciliations with UNDP records and that reconciling items be followed up and cleared in a timely manner.**

509. UNFPA accepts the recommendation and expresses its commitment to work closely with the UNDP Treasury to maintain the consistency and accuracy of data. UNFPA is now conducting regular reconciliations with the records of UNDP.

510. The Director, Division for Finance Administration and Management Information Systems, is responsible for implementation of the recommendation.

511. **In paragraph 31, the Board recommended that UNFPA obtain the monthly payroll from UNDP and verify the payroll expenses to the expenses charged on the general ledger by the United Nations.**

512. UNFPA accepts the recommendation and intends to make payroll reconciliation a key management control in 2002. Starting in September 2002 the payroll will be reconciled on a monthly basis.

513. The Director, Division for Finance Administration and Management Information Systems, is responsible for implementation of the recommendation.

514. **In paragraph 35, the Board recommended that UNFPA take immediate measures to recover outstanding accounts receivable.**

515. UNFPA accepts the recommendation and will introduce procedures to clear (recover or write off) the outstanding amounts. It is expected that the outstanding amounts will be cleared by the closing of the 2002 financial period.

516. The Director, Division for Finance Administration and Management Information Systems, is responsible for implementation of the recommendation.

517. **In paragraph 43, The Board recommended that UNFPA account for all contributions received and closely monitor trust fund income and expenditure in order to ensure that it does not obligate expenditure without sufficient funds being available.**

518. UNFPA is fully committed to the funding principle. Some of the overexpenditures recorded are due to accounting errors for which adjusting entries have been made. UNFPA will tighten the operational procedures and the specific responsibilities of the various branches and divisions with regard to trust fund income and expenditures will be outlined. The revised procedures will be in place by the end of 2002.

519. The Director, Division for Finance Administration and Management Information Systems, is responsible for implementation of the recommendation.

520. **In paragraph 59, the Board recommended that UNFPA generate an age analysis to review outstanding advances made in respect of nationally executed expenditure with a view to ensuring accountability of implementing partners, taking into account future work plans.**

521. UNFPA is committed to ensuring control of individual outstanding advances as well as their overall level and will periodically identify those balances that appear to be either excessive in terms of the funding level or that have remained outstanding for several quarters. The concerned country offices and headquarters divisions will be requested to review the balances and if necessary to take corrective action. The first such review is expected to be completed in 2003.

522. The Director, Division for Finance Administration and Management Information Systems, and the Chief of Finance are responsible for implementation of the recommendation.

523. **In paragraph 61, the Board recommended that UNFPA include in its monitoring tools details of the appointment of auditors of nationally executed expenditure and use such details to verify compliance with the criteria set forth in its Policies and Procedures Financial Manual.**

524. UNFPA accepts the recommendation and will develop specific procedures and predetermined criteria to assist country offices and concerned divisions at headquarters in recruiting project auditors for the 2002 accounts. Such procedures will include standard terms of reference and quality standards for the selection of auditors as well as for audit reports. The UNFPA representatives and the concerned directors at headquarters will be advised of their responsibility for ensuring quality control.

525. The Director, Division for Finance Administration and Management Information Systems, and the Chief of the Audit Section are responsible for implementation of the recommendation.

526. **In paragraph 63, the Board recommended that UNFPA include in its directives on nationally executed expenditure specific procedures and predetermined criteria to ensure that auditors of the required independence, integrity and technical competence are appointed and that compliance with those directives is monitored by the country office.**

527. See paragraphs 524 and 525 above.

528. **In paragraph 72, the Board recommended that UNFPA devote special attention to those country offices that had not submitted audit plans in time by requesting them to commence the planning exercise well in advance of the prescribed deadline, and that UNFPA intensify its follow-up action for country offices that have not adhered to requirements.**

529. UNFPA agrees to request country offices that did not submit audit plans in time to start the planning exercise well in advance of the prescribed deadline and will implement the recommendation for the 2002 audit exercise.

530. The directors of the geographical divisions and the Chief of the Audit Section will be responsible for implementation of the recommendation.

531. **In paragraph 75, the Board recommended that UNFPA include in a consolidated database all country office action plans relating to the audit reports on nationally executed expenditure and that non-compliance by the country office should be noted and taken into account in the overall assessment of that office.**

532. The recommendation regarding the consolidated database was implemented with the 2001 audit exercise. Since 2001 the audit coverage has been included in the performance assessment of UNFPA representatives and compliance with country office action plans will be included in the 2002 performance assessment.

533. **In paragraph 89, the Board recommended that UNFPA adhere, as far as practical and feasible, to the mandatory project evaluation and monitoring procedures prescribed in its directives. Furthermore, UNFPA headquarters should focus its attention on those projects that have not been subjected to audits of nationally executed expenditure as a means of obtaining adequate assurance, and should also record in the consolidated database details of compensating controls implemented in those country offices at which assurance is low.**

534. See paragraphs 480, 481, 488 and 489 above.

535. **In paragraph 99, the Board recommended that, in concluding service-level agreements with UNDP, UNFPA should ensure that such agreements will enable it to implement and review key controls, such as bank reconciliations.**

536. All service agreements will include the responsibilities of the two contracting parties.

537. **In paragraph 103, the Board recommended that organizational units at UNFPA Headquarters be tasked with the review and verification of all non-expendable equipment under the Fund's control. Furthermore, UNFPA should expedite the transfer of all remaining non-expendable equipment to the coding system.**

538. UNFPA agrees that control over non-expendable equipment needs to be more systematic, and it is committed to ensuring that all its inventory records are correct and accurate and that reporting of project equipment is done on a timely basis. UNFPA will tighten its controls at headquarters and at the country offices with a view to making the data more timely and accurate. UNFPA also expects that all headquarters assets will be coded by the end of 2002. Discrepancies noted in the data will be corrected in 2002.

539. The directors of the geographic divisions and the Director, Administration and Management, are responsible for implementation of the recommendation.

540. **In paragraph 105, the Board recommended that in order to facilitate effective control over the receipt of all goods and services procured, all country offices complete receipt and inspection reports within three weeks of the delivery of such goods or services and forward such reports to the headquarters procurement unit, as prescribed in paragraph D.25 of the UNFPA procurement manual.**

541. The Chief, Procurement Services Section, will monitor the country offices' compliance with this requirement. Non-compliance will be included in the performance assessment of representatives. In May 2002, UNFPA reminded country offices to submit receipt and inspection reports in a timely manner. Another reminder will be issued in the last quarter of 2002.

542. The Director, Administration and Management, and the Chief of Procurement are responsible for implementation of the recommendation.

543. **In paragraph 107, the Board reiterated its recommendation that UNFPA develop a process for formally recording and monitoring the performance of its suppliers.**

544. UNFPA accepts the recommendation. It will formalize its quality-control process, develop a vendor performance system and design set-up and documentation. An interim system will be available in February 2003. The final system will be part of the Fund's new enterprise resource planning system.

545. The Director, Administration and Management, and the Chief of Procurement are responsible for implementation of the recommendation.

546. **In paragraph 112, the Board recommended that UNFPA follow up with country offices on all outstanding recommendations and enforce time restrictions given to country offices so as to facilitate a timely response.**

547. In 2001, UNFPA introduced the Comprehensive Audit and Recommendations Database System (CARDS) to record the follow-up of audit recommendations. Initially, some countries experienced problems in using the system. In addition to using CARDS, UNFPA performs audit trend analyses, special studies and follow-up missions in country offices with significant weaknesses. In many instances these additional tools are more reliable, since many audit recommendations require recurrent compliance and cannot be addressed by one-time action. UNFPA recognizes, however, that all country offices should report on the status of recommendations. Since August 2002, country offices have been given a deadline to report their action plan, including a deadline for implementation of CARDS. An action plan with particular emphasis on deficient ratings will be submitted.

548. **In paragraph 114, the Board recommended that UNFPA formally:**

(a) **Develop, implement and update a short-term to long-term strategic plan in respect of information and communication technology;**

(b) **Establish, approve, implement and update on a regular basis a security policy;**

(c) **Compile documented computer program change procedures.**

549. The Fund's strategic plan in respect of information and communication technology will be completed in the first quarter of 2003. Elements of the Fund's security plan are contained in the management information system guidelines. The Fund's security policy will be documented and issued. The change will be documented by January 2003.

550. **In paragraph 118, the Board recommends that UNFPA develop a fraud prevention plan, including fraud awareness initiatives. In developing the plan, UNFPA should discuss features of it with the concerned units of the United Nations and other funds and programmes so as to obtain the benefit of best practices, where available, in specific or all of the elements being considered.**

551. UNFPA has been in informal consultations with UNDP and UNOPS to convene a group to develop a fraud prevention strategy, an initiative that will include consultations with other United Nations organization on good practices. It is expected to have a strategy in place by the end of the current biennium.

552. The Director, Administration and Management, is responsible for implementation of the recommendation.

Status of implementation of the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1999[14]

553. **In paragraph 11 (k), the Board recommended that UNFPA make every effort to recover the overpayment of up to $1.8 million from the contractors once the final value of the work done has been verified.**

554. UNFPA proposed the formation of a recovery committee to deal with the matter of overpayment. The terms of reference for the committee are under review by the UNDP Office of Legal and Procurement Support. Meanwhile, the verification of the actual value of overpayment is in its final stages.

555. The Deputy Executive Director (Programme) will make every effort to ensure that the matter is concluded by the end of the year.

J. United Nations Habitat and Human Settlements Foundation

556. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on the United Nations Habitat and Human Settlements Foundation for the biennium ended 31 December 2001[15] is described below.

557. **In paragraph 11 (a), the Board recommended that the Administration financially close all operationally completed projects to ensure that only records of ongoing projects are kept and that pertinent expenditures are charged only to those project accounts, and restrict access to those records to the senior officer to limit the risk of modification of closed projects.**

558. All the concerned staff will be instructed to financially close all operationally closed projects before 31 December 2002.

559. The responsibility for implementing the recommendation lies with the Director, Programme Support Division.

560. **In paragraph 11 (b), the Board recommended that the Administration ensure that complete records and project documentation are maintained for the projects to facilitate effective monitoring, evaluation and financial and management reporting.**

561. The recommendation will be implemented by June 2003 as part of the overall review of the archiving system of the United Nations Settlements Programme (UN-Habitat).

562. The implementation of this recommendation is a joint responsibility of the Director, Programme Support Division, and the Monitoring and Evaluation Officer.

563. **In paragraph 11 (c), the Board recommended that the Administration consider (a) establishing banking services for the field office in northern Iraq to expedite the payment of salaries and entitlements, vendor accounts and operational expenses; (b) delegating appropriate authority for payments to ensure that financial transactions are processed immediately; and (c) implementing applicable IMIS modules to reduce the risk of error and improve the accuracy and timeliness of financial reporting.**

564. Banking services are still not available in northern Iraq. The alternative option of using banking facilities in Amman has been reviewed and has been discarded for operational reasons. Implementation of this recommendation is postponed until proper banking services are available in northern Iraq. UN-Habitat is working with the United Nations Office at Nairobi to implement a phased delegation of authority to the field, taking into account the capacity of the settlement rehabilitation programme to handle such authority. A web-based reporting tool has been set up to enable the field offices to have access to the latest financial information. Decentralized IMIS input facilities are not yet available.

565. The Coordinator, Iraq Programme, and the Director, Programme Support Division, are responsible for implementation of the recommendation.

566. **In paragraph 11 (d), the Board recommended that the Administration fast-track the housing programme to reduce the huge backlog in housing and basic infrastructure and services.**

567. A web-based reporting tool has been set up to enable the field offices to have access to the latest financial information. Decentralized IMIS input facilities are not yet available.

568. The Coordinator, Iraq Programme, is responsible for implementation of the recommendation.

569. **In paragraph 11 (e), the Board recommended that the Administration strengthen the existing framework for the verification of a contractor's assets and holdings to ensure that reliable and accurate information is readily available to establish the contractor's profile.**

570. A local procurement section is now in place in Iraq and a contractor roster has been established.

571. The Coordinator, Iraq Programme, is responsible for implementation of the recommendation.

K. Fund of the United Nations International Drug Control Programme

572. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on UNDCP for the biennium ended 31 December 2001[16] is described below.

573. **In paragraph 11 (a), the Board recommended that UNDCP review its administrative and organizational structure to improve its cost-efficiency and effectiveness.**

574. Cost-efficiency and effectiveness measures are already reflected in the Fund's budget for the biennium 2002-2003, with the total budget reduced by around 10 per cent as compared with 2000-2001 in order to match a similar decrease in funding based on prudent financial projections. There is no increase in the number of posts in the support budget for 2002-2003, which includes efficiency savings of $1.2 million offset by increases of $0.6 million for reimbursement of services provided by the United Nations Office at Vienna and UNDP and by a $0.3 million increase in other operating costs.

575. The general purpose funds position is being closely monitored on a quarterly cash-flow basis. In line with the Commission on Narcotic Drugs budget resolution for a revised organizational structure, this audit recommendation will be taken into full account in the revised budget for 2002-2003 to be submitted to the Commission. This recommendation will be fully

implemented by April 2003, when the Commission is scheduled to approve the revised budget of the Fund for 2002-2003.

576. The Executive Director of the Office for Drug Control and Crime Prevention is responsible for implementation of the recommendation.

577. **In paragraph 11 (b), the Board recommended that UNDCP review the funding mechanism and targets for end-of-service liabilities in line with other United Nations organizations.**

578. UNDCP will proceed with an actuarial evaluation if one has not been included in the evaluation already carried out by the United Nations Secretariat in order to disclose related liabilities in its financial statements for 2002-2003.

579. The Director, Division of Treaty Affairs, will be responsible for implementation of the recommendation.

580. **In paragraph 11 (c), the Board recommended that UNDCP closely monitor special-purpose funds that are in deficit to ensure that outstanding amounts are recoverable and that liabilities will be covered in the event that the income pledged is not eventually received.**

581. In order to avoid instances of negative special-purpose funds, UNDCP will be more proactive in ensuring that special pledge collections match project expenditures through closer monitoring of pledges and collections and more timely budget revisions in cases where collections in the current year are doubtful.

582. This recommendation is being implemented on an ongoing basis. The Director, Division of Treaty Affairs, is responsible for its implementation.

583. **In paragraph 11 (d), the Board recommended that UNDCP revert to accrual accounting for all contributions.**

584. UNDCP accepts this recommendation with the proviso that pledged income will be deferred to future years if it is not related to the current accounting period.

585. This recommendation will be implemented in the 2002-2003 financial statements. Responsibility for its implementation belongs to the Director, Division of Treaty Affairs.

586. **In paragraph 11 (e), the Board recommended that UNDCP liaise with UNDP to update the working arrangement with the aim of reporting all obligations in a timely manner in compliance with paragraph 4 (iii) of the United Nations system accounting standards.**

587. The draft revised working arrangement agreement with UNDP takes full account of this recommendation. This draft was forwarded to UNDP in July 2002 and it is expected that the revised agreement will be finalized by the end of the year.

588. The responsibility for implementing this recommendation lies with the Director, Division of Treaty Affairs.

589. **In paragraph 11 (f), the Board recommended that UNDCP pay closer attention to the classification of expenditure under the programme budget or the support budget.**

590. The proper classification of the two projects cited in the Board's report will be reviewed in the context of the revised 2002-2003 budget for the Fund of UNDCP, to be submitted to the Commission on Narcotic Drugs in April 2003.

591. The responsibility for implementation of this recommendation lies with the Director, Division of Treaty Affairs.

592. **In paragraph 11 (g), the Board recommended that UNDCP enter its Brazilian local bank account in the general ledger, register all transactions into and out of the account and ascertain that no other such bank account is operated by field offices.**

593. From 2002 on, all transactions reported on a quarterly basis by the field office are reconciled and entered in the general ledger. UNDCP has already ascertained that there are no other such bank accounts as per the last returns from the United Nations Treasurer, who has control over the opening and closing of all UNDCP bank accounts. The recording of transactions in the general ledger is done on an ongoing basis. Responsibility for implementing this recommendation belongs to the Director, Division for Treaty Affairs.

594. **In paragraph 11 (h), the Board recommended that UNDCP take more drastic measures to bring unfunded projects to a manageable level, including terminating some projects with poor funding prospects; be prudent in the implementation of the rule of starting a project when 50 per cent of funds**

are secure; and always monitor the launching of new partially funded projects with regard to total commitments made compared with cash available and the duration of the projects.

595. The Programme's first objective is to move systematically towards achieving at least a 50:50 ratio between funded and unfunded project commitments. This would mean reducing future unfunded project budgets such that at least 50 per cent is covered by earmarked fund balances and as much as possible of the remaining 50 per cent is covered by any multi-year pledges that can be secured beyond the current year. A second, medium-term objective is to create donor-funding pools from which multi-year projects could be fully financed. However, this proposal will require further consultations with donors, as many of them operate on a one-year budget cycle. The implementation of this recommendation is ongoing and is contingent upon donor agreement.

596. The responsibility for implementing the recommendation lies jointly with the divisional directors of the Office for Drug Control and Crime Prevention.

597. **In paragraph 11 (i), the Board recommended that UNDCP request its field offices and UNDP to devote special attention to enforcing the yearly deadline for the submission of the audit report.**

598. UNDP will be requested to adhere strictly to the yearly deadline for the submission of audit reports. The same will be requested of the UNDCP field offices. (See paras. 607-609 below.)

599. The Director, Division for Treaty Affairs, is responsible for implementation of the recommendation.

600. **In paragraph 54, the Board recommended that UNDCP disclose fully its write-offs as at 2002, including those of field offices and headquarters, together with the value of its non-expendable property.**

601. As from 2002, note 17 to the financial statements will disclose a figure for inventory write-offs as approved by the local Property Survey Board, including those at field offices and at headquarters, together with the value of its non-expendable property.

602. The responsibility for implementation of the recommendation belongs to the Director, Division of Treaty Affairs.

603. **In paragraph 58, the Board recommended that UNDCP reconsider the need for a project office in Bratislava, so close to its headquarters.**

604. UNDCP will review the viability of maintaining the office in Bratislava in the course of 2002.

605. The responsibility for implementation of the recommendation belongs to the Director, Division of Operations and Analysis.

606. **In paragraph 69, the Board recommended that UNDCP establish standard terms of reference with UNDP for the audit of nationally executed expenditure and ensure that the audit scope and the format of the audit report are consistent.**

607. Relevant extracts of the Board's report for the biennium 2000-2001 will be provided to UNDP. This will facilitate the request for the cooperation of UNDP in establishing standard terms of reference for the audit of nationally executed expenditure. Specifically, UNDCP will request that, (a) in cases where the audit coverage could include UNDCP nationally executed expenditure projects, the procedures outlined in the UNDP Procedures for National Execution be adhered to, and (b) in cases where UNDCP nationally executed expenditure projects cannot be included in UNDP coverage and where UNDCP field offices would have to engage reputable private accounting firms through UNDP contracting procedures, the terms of reference for the audits spell out the procedures as contained in the UNDP Manual.

608. The implementation of the above recommendations will take effect immediately and will be ongoing, since implementing partners are required to submit annual audit reports for nationally executed expenditure projects.

609. The responsibility for implementing the recommendation belongs to the Director, Division for Treaty Affairs.

610. **In paragraph 74, the Board recommended that UNDCP review the reasons for qualified opinions from local auditors in order to measure their exact financial impact and to undertake appropriate action with the implementing partners.**

611. UNDCP has started reviewing the reasons for the qualified audit opinions issued by local auditors in the nine audit reports mentioned in the report of the Board and will take appropriate action with the concerned

implementing partners. The scope of the review will include a determination of the exact financial impact of such qualified opinions. This recommendation will be implemented in the course of 2002-2003.

612. The responsibility for implementation of the recommendation lies with the Director, Division for Treaty Affairs.

613. **In paragraph 84, the Board recommended that UNDCP maintain its two accounting systems in parallel operation for at least another six months until it has verified that the new system fully provides accurate data.**

614. UNDCP will continue operating both systems for a minimum of six months, until it is ascertained that ProFi provides accurate data. It is expected that by the end of 2002 the system will be fully operational.

615. The responsibility for implementation of the recommendation lies with the Director, Division for Treaty Affairs.

L. United Nations Office for Project Services

616. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on UNOPS for the biennium ending 31 December 2001[17] is set out below.

617. **In paragraph 11 (a), the Board recommended that UNOPS prepare a contingency plan to be submitted to the Executive Board for approval, to address measures to be taken in the event of the operational reserve being unable to absorb possible deficits.**

618. The recommendation has been implemented. A contingency plan has been prepared.

619. **In paragraph 11 (b), the Board recommended that UNOPS exercise caution in its budgetary assumptions and income projections to ensure that realistic targets are established.**

620. UNOPS has completed the implementation of the recommendation. In early 2002 UNOPS developed a new business planning methodology in response to the income shortfall it experienced in 2001. The methodology utilized conservative and prudent delivery and income projections that in turn determined the 2002 level of the administrative expenditure approved by the Executive Board at the annual session. Based on a rigorous review of the project portfolio, a detailed analysis was carried out to distinguish between "guaranteed delivery", "hard delivery" and "soft delivery". The exercise resulted in a project delivery target of $503 million and an administrative budget of $44.0 million. Consistent with the achievements reported by the Executive Director at the annual session of the Executive Board, cumulative delivery and income, as at 31 July 2002, were ahead of the 2001 levels and the 2002 targets, while administrative expenditure was in line with the prorated annual amount for the end of July. UNOPS expects, therefore, to match or exceed the overall estimated income for 2002.

621. The Deputy Executive Director/Director of Operations is responsible for implementation of the recommendation.

622. **In paragraph 12 (c), the Board recommended that UNOPS: (a) continue to review its medium-term strategy in a comprehensive manner, including such elements as an analysis of the variables related to business from UNDP with a view to aligning its project delivery approach; and (b) embark on a strategy to further diversify its client base within the United Nations system.**

623. For the short and medium term, UNOPS will continue to carry out periodic analyses of the variables related to various clients, including UNDP, in the framework of its annual business planning and budget exercises. Likewise, UNOPS will continue to pursue its strategy of diversifying its client base within the United Nations system, especially in connection with the recommendation made by the Secretary-General to the entities of the system to use UNOPS services on a broader scale. In this context, UNOPS will pay particular attention to (a) continuing its efforts to remain cost-effective, and (b) concentrating its diversification strategy on specialized agencies of the United Nations system, given the large long-term potential existing among them.

624. The Executive Director is responsible for the ongoing implementation of the recommendation.

625. **In paragraph 11 (d), the Board recommended that UNOPS evaluate the basis and calculation of the cost of services with a view to ensuring that all costs are identified and recovered, and that it ensure that the piloted system addresses all**

shortcomings identified in the project management officer workload system.

626. As the Board of Auditors has noted, a new system of calculating fee costs has been piloted. The new fee calculation system is designed to ensure that all costs of project services are properly identified, thereby enabling UNOPS to better estimate the income needed from clients to fully cover project costs. UNOPS hopes to implement the new system organization-wide in 2003, subject to available budgetary resources.

627. The Deputy Executive Director/Director of Operations is responsible for the implementation of the recommendation.

628. **In paragraph 11 (e), the Board recommended that UNOPS review the funding mechanism and targets for end-of-service benefits. The Board considers that UNOPS may need to expedite its consideration of funding the end-of-service liabilities given its unique funding principles.**

629. Following a request of the Advisory Committee on Administrative and Budgetary Questions, the United Nations Secretariat is preparing a report on long-term implications and impact of the growth in the liability of the organization for after-service health benefits that will be submitted to the General Assembly. UNOPS has participated in a recent joint study to develop estimates of the after-service health-related liabilities, which are the most significant of all after-service liabilities. The report on this study was received recently, and UNOPS is currently reviewing it and considering funding implications. It is expected that a course of action will be proposed by the end of the second quarter of 2003.

630. The Executive Director is responsible for implementation of the recommendation.

631. **In paragraph 11 (f), the Board recommended that UNOPS evaluate its procedures for controlling costs with a view to meeting project delivery needs, while ensuring flexibility to adapt to increases in the level of service delivery.**

632. This recommendation has been implemented. As recommended by the Board of Auditors, UNOPS is monitoring its administrative costs on a regular basis with the continuing objective of achieving a balanced budget by year's end. The Executive Director has established an implementation group to assist him in monitoring the implementation of the 2002 budget consolidation exercise. It reviews and endorses major changes in costs that inevitably emerge during the course of the year as a result of unforeseen opportunities or obstacles in project delivery.

633. The Executive Director is responsible for implementation of the recommendation.

634. **In paragraph 11 (h), the Board recommended that UNOPS consider presenting to the Executive Board for approval variable budgets based on several levels of activity, clearly identifying the most likely level of activity.**

635. UNOPS does not agree with this recommendation. UNOPS does prepare and evaluate, together with the Management Coordination Committee and its working group, variable budgets that are based on various assumptions and operational options. It is only the most likely budget scenario, as agreed by the UNOPS Executive Director and the Management Coordination Committee, that is presented to the Advisory Committee on Administrative and Budgetary Questions and the Executive Board.

636. **In paragraph 11 (i), the Board recommended that UNOPS compile a clear and definite action plan on how, where and when staff savings will be made and monitored. All costs should be closely monitored and a revised submission made through the Management Coordination Committee in order to obtain approval should it become evident that the required cap of administrative expenditure will be exceeded.**

637. The action plan has been completed. It has been submitted to the Management Coordination Committee and is monitored by UNOPS management on a regular basis.

638. **In paragraph 43, the Board recommended that UNOPS prepare budgets and revisions thereto on a basis which is more in line with realistic project delivery.**

639. This recommendation has been fully implemented. At the end of June 2002, UNOPS established a new mechanism for a thorough and major mid-year review of the delivery and income estimates at the level of operations divisions. The review went into greater depth and analysis than the monthly delivery monitoring exercise that is regularly performed. The overall delivery and income as at 30

June 2002 (also as at 31 July 2002) continues to be on track for the achievement of the annual delivery and income targets approved by the Executive Board. However, there have been some changes in the rate of achievement of delivery targets by some divisions, which has led to mid-year division-level adjustments in both income and costs in order for the overall estimated income for 2002 to be matched or exceeded.

640. The Deputy Executive Director/Director of Operations is responsible for the ongoing implementation of the recommendation.

641. **In paragraph 49, while the Board recognized the efforts made by UNOPS to review unliquidated obligations, it recommended that UNOPS conduct more regular reviews of all such obligations in a timely manner.**

642. The recommendation has been implemented. The balances of unliquidated obligations for the UNOPS account dealing with the administrative budget are reviewed systematically on a quarterly basis by the division chiefs concerned. This review is made in coordination with the Division for Finance, Budget and Administration, and appropriate adjustments are made.

643. **In paragraph 51, the Board recommended that UNOPS (a) compute the full costs incurred in respect of services provided to the International Fund for Agricultural Development (IFAD) to determine the feasibility of this service line, and (b) disclose the full IFAD costs in schedule 2 of the financial statements.**

644. UNOPS is undertaking a detailed review of its cost of services for the IFAD programme to ascertain that its costs continue to be fully covered by the management fees received. UNOPS has notified IFAD senior management of this exercise and the need for an adjustment of the management fee should the exercise reveal that UNOPS costs are not fully covered. The inclusion of parts of the IFAD costs in schedule 2 of the UNOPS financial statements, those related to travel and consultants, was recommended in previous management letters and reports of the Board of Auditors. UNOPS recognizes that such partial disclosure has led to the impression that the full cost of the services provided to IFAD are not fully recovered. Moreover, since UNOPS does not disclose in schedule 2 specific costs attributable to any of its United Nations clients, it has decided to discontinue the practice of disclosing partial costs attributable to the IFAD programme in its financial statements.

645. The Deputy Executive Director/Director of Operations is responsible for the management fee review to be completed by the end of the third quarter of 2002.

646. **In paragraph 62, the Board recommended that UNOPS continue to monitor closely the rate of project income and to re-evaluate any assumptions as well as overall project income strategy and policy.**

647. This recommendation has been implemented. UNOPS agrees with the Board of Auditors that project income rates, which over the past few years have been under considerable downward pressure, have a major impact on the self-financing imperative of UNOPS as well as the rate of build-up of its operational reserve. UNOPS will continue to monitor this important business parameter and continue to negotiate with clients on an ongoing basis.

648. The Deputy Executive Director/Director of Operations is responsible for the ongoing implementation of the recommendation.

649. **In paragraph 73, the Board recommended that UNOPS intensify its efforts to attain and make provision for all possible and foreseeable expenditure in respect of information and communication technology, both in the 2002 budget and beyond. The specific effects of a new computer system on accurate financial reporting should be considered rather urgently.**

650. This recommendation has been implemented. UNOPS has included in the 2002 and 2003 budgets all currently foreseeable budget costs relating to information and communication technology, including provisions for its possible participation in the UNDP enterprise resource planning system. UNDP only started to implement the system in recent months, and in August 2002 it provided UNOPS with broad estimates of UNOPS costs that are presently under review, along with other possible options.

651. The Chief Information Officer is responsible for implementation of the recommendation.

652. **In paragraph 79, the Board recommended that UNOPS consider expanding the use of junior**

professional officers as a cost-effective mechanism, especially in these times of financial constraints.

653. UNOPS does not agree with this recommendation. UNOPS complies fully with the objectives of sponsoring Governments when it comes to the assignment of junior professional officers, be it for the purpose of simply accruing international public sector experience or for the grooming of junior international civil servants for long-term careers with the United Nations system. In keeping with this spirit, UNOPS does not view junior professional officers as free labour, but rather as a valuable investment, and possibly an element of succession planning for the Organization, and thus assumes responsibility for training. UNOPS has made a long-term commitment in the case of certain junior professional officers who were assigned to managing project portfolios and who, by the end of their term, had developed a portfolio large enough to sustain their cost to the Organization.

654. **In paragraph 87, the Board recommended that the agreements between UNOPS and UNDP be finalized expeditiously in order to regulate the functions of central services received from UNDP and include the respective functions, responsibilities and cost structures between UNOPS and UNDP. Furthermore, the Board recommended that a service-level agreement be concluded for human resources.**

655. UNOPS continues to negotiate an agreement to cover services outsourced to UNDP, with an emphasis on a clear division of labour. While this initiative is considered to be an ongoing process that always will require monitoring and adjustment, the possibility of UNOPS directly handling certain functions in the area of human resources will simplify the service-level requirements and generally advance the conclusion of an agreement.

656. The Assistant Director, Finance, Budget and Administration, is responsible for the ongoing implementation of the recommendation.

657. **In paragraph 90, the Board recommended that UNOPS arrange for internal oversight coverage on financial procedures, controls and data.**

658. The recommendation has been implemented. UNOPS has incorporated coverage of financial procedures, controls and data into the 2002 work plan for its internal auditors.

659. The Assistant Director, Division for Legal and Procurement Support, is responsible for implementation of the recommendation.

660. **In paragraph 92, the Board recommended that UNOPS (a) compile a short- and long-term strategic plan for the deployment of information and communication technology, which should be updated on a continuous basis, and (b) develop formally documented and approved procedures or guidelines on aspects such as security, disaster recovery planning, back-ups and system development.**

661. UNOPS will continue to develop and review its short- and long-term information and communication technology strategy. Systems procedures such as disaster recovery planning, systems back-up and restore, and network security are being developed. As the documents are completed and tested, they will be reviewed and approved to become the official document for systems guidelines and procedures. They will be updated regularly to reflect the requirements and changes of the systems. The planned completion of the strategic plan and procedures for disaster recovery planning, systems back-up and restoration, and network security is scheduled for the end of 2002.

662. The Chief Information Officer is responsible for implementation of the recommendation.

M. International Tribunal for Rwanda

663. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on the Tribunal for the biennium ended 31 December 2001[18] is described below.

664. **In paragraph 11 (a), the Board recommended that the Tribunal be provided with copies of all agreements in respect of voluntary contributions in order for it to comply with the requirements of donors. Also, it should keep a proper record of all such agreements and monitor compliance with donor requirements.**

665. Agreements and a memorandum of understanding have been concluded by Headquarters with respect to voluntary contributions, with the exception of those solicited directly by the Tribunal. Management is exerting every effort to obtain copies of those

documents from Headquarters and is in the process of implementing the recommendation.

666. The Chief Administrative Officer and the Chief of the Finance Section are responsible for implementation of the recommendation.

667. **In paragraph 11 (b), the Board recommended that the Tribunal develop and implement a completion strategy with a view to ensuring the attainment of objectives in an efficient and effective manner.**

668. The recommendation is in the process of being implemented.

669. The justices in the Office of the Prosecutor and the Registrar are responsible for implementation of the recommendations.

670. **In paragraph 11 (c), the Board recommended that the Tribunal: (a) establish clear and quantitative criteria to determine whether a person qualifies or partly qualifies for legal aid; (b) formulate working definitions, for example, for the terms "indigence" and "sufficient means", including the determination of a financial threshold below which a person is regarded as indigent or partly indigent; and (c) develop a formula to determine the contributions to be made by the persons who partly qualify for legal aid.**

671. The recommendation has been implemented. The Tribunal, on the basis of nine cases already completed, has determined that the average cost of each trial amounted to $740,214.56. This cost includes fees and travel-related expenses paid to the defence teams during the pre-trial, trial and appeal stages. The Tribunal would like to consider this amount to be the financial threshold in determining whether the suspect or accused is indigent or without sufficient means. Therefore, suspects or accused persons having assets above this threshold shall not qualify for legal aid. Any suspect or accused person whose assets are below the threshold and above $10,000 shall be considered as partly indigent.

672. The Chief, Lawyers and Detention Facility Management Section, is responsible for implementation of the recommendation.

673. **In paragraph 11 (d), the Board recommended that the Tribunal establish clear and enforceable working relationships with Member States to ensure that they will provide all reasonable assistance necessary to verify the financial position of the accused.**

674. To date, the Tribunal has established communication with States in which accused persons are either citizens or were residing at the time of arrest with a view to seeking information on the bank accounts and movable and immovable assets of the accused persons. So far, the Tribunal has not been successful in getting that information. In an effort to improve communication with Member States, the Tribunal has established the post of Chief of External Relations in the Immediate Office of the Registrar and the post of financial investigator in the Immediate Office of the Deputy Registrar. The recruitment for these posts is in process. It is believed that the coming on board of these two staff members will enhance the efforts of the Tribunal in establishing clear and enforceable working relations with Member States, in terms of providing reasonable assistance necessary to verify the financial position of the accused.

675. The Offices of the Registrar and Deputy Registrar and the Lawyers and Detention Facility Management Section are responsible for implementation of the recommendation.

676. **In paragraph 11 (e), the Board recommended that the Tribunal require that counsel to be paid by the Tribunal be chosen at random from among the available lawyers whose names appear on a list established and approved by the Registrar.**

677. The recommendation has been implemented. An accused person's ability to elect defence counsel is not unfettered. There is a built-in mechanism to ensure that while the accused person has expressed his or her wishes, the Registrar is the one who makes the final selection. In addition, this procedure ensures that there is a balance between the requirements of justice and the need to rationalize and minimize costs.

678. The Chief, Lawyers and Detention Facility Management Section, is responsible for implementation of the recommendation.

679. **In paragraph 11 (f), the Board recommended that the Tribunal: (a) consider the feasibility of using computer software that meets the needs of the Lawyers and Detention Facility Management Section to review the accounts of defence team members and of implementing a matrix system for**

standard activities performed by counsel; (b) conduct a thorough review of the human resources needs of the Section to improve the quality of assessments of the accounts of defence team members; and (c) implement appropriate procedures to render illegal and effectively prohibit overbilling and fee-splitting practices by counsel.

680. Steps have been taken internally to assess the feasibility of using computer software that meets the needs of the Lawyers and Detention Facility Management Section, and the possibility of hiring a consultant to advise on a task matrix system is also under consideration. The Section is in the process of reviewing its human resources requirements with a view to putting in place an internal mechanism that would be effective in curbing false claims by defence team members and in ensuring that payments made under the legal aid system were paid solely for reasonable work actually done that was necessary for the accused to answer specific charges brought against him or her by the Tribunal. Meanwhile, temporary posts have been provided to the Section in order to assist in the areas of budgetary control and payments of fees. The Code of Conduct was amended during the last plenary session of the judges, held in Arusha on 5 and 6 July 2002. Article 5 bis expressly prohibits fee-splitting between members of the defence team and their clients.

681. The Chief, Lawyers and Detention Facility Management Section, is responsible for implementation of the recommendation.

682. **In paragraph 11 (g), the Board recommended that the Tribunal establish clear and unambiguous rules to define and regulate the notion of "exceptional circumstances", as contemplated by rule 45 of the Rules of Procedure and Evidence.**

683. The recommendation is currently under review. Exceptional circumstances by their very nature cannot be predetermined. They vary from case to case and must be open-ended, otherwise the discretion of judges in developing the jurisprudence of the Court in accordance with the peculiar circumstances that may arise from time to time would be restricted.

684. The Chief, Lawyers and Detention Facility Management Section, is responsible for implementation of the recommendation.

685. **In paragraph 23, the Board recommended that the Tribunal disclose non-expendable equipment as required by paragraph 49 of the United Nations system accounting standards. Furthermore, the Board reiterated its recommendation that the Administration disclose the value of non-expendable property pending write-off decisions in the notes to the financial statements.**

686. The recommendation has been fully implemented. The Administration will provide the Accounts Division at Headquarters with the value, if any, of non-expendable property pending write-off decisions in order that it may disclose its value in the notes to the financial statements.

687. The Chiefs of the Accounts Division and the Finance and General Services Sections are responsible for implementation of the recommendation.

688. **In paragraph 25, the Board recommended that the Tribunal implement strict procedures to ensure proper budgetary control, and the Tribunal agreed.**

689. The management has made programme managers more accountable for monitoring expenditures made against the approved budgetary provisions. With the introduction of the Sun business accounting system and the Mercury procurement system, the programme managers are provided with accurate and up-to-date financial reports helpful in assisting them to review expenditures and unliquidated obligations and to exercise budgetary control. The Budget Unit, as the overall coordinator for budgetary control, continuously monitors, reviews and approves expenditures made against the appropriations.

690. The Chiefs of Administration and Finance are responsible for implementation of the recommendation.

691. **In paragraph 30, the Board recommended that the Tribunal establish a time frame for the completion and finalization of all asset records, enforce compliance with directives in that regard and implement procedures to maintain accurate information on the field assets control system.**

692. The self-accounting units, in coordination with the Property Control and Inventory Unit, are in the process of migrating all the inventory data into the field assets control system by the year-end inventory period. The Tribunal is enforcing the mechanism to control the movement of its assets and to update its

inventory record". The recommendation should be fully implemented by 31 December 2002.

693. The Chief Administrative Officer is responsible for implementation of the recommendation.

694. **In paragraph 33, the Board recommended that the Tribunal: (a) make provision for support costs in its cost plans; and (b) ensure proper monitoring, implementation and control of budgets and expenditure in accordance with the applicable directives.**

695. The recommendation has been implemented. Expenditures against the Tribunal's trust fund are incurred on the basis of such cost plans as may be recommended by the Tribunal Trust Fund Advisory Board and subsequently approved by the Controller through the issuance of allotment advice. Each year's budget performance report details clearly the projects carried out, the delivery stage of each project, if any, what has been accomplished and what was deferred. Expenditures are monitored periodically, and support costs have always been included in all trust fund cost plans.

696. The Chief Administrative Officer and the Chief of Finance are responsible for implementation of the recommendation.

697. **In paragraph 55, the Board recommended that the Tribunal clarify the role and responsibility of investigating indigence as soon as possible with a view to implementing more effective procedures to verify and monitor the financial position of accused persons receiving legal aid.**

698. The indigence investigator will enhance the efforts of the Tribunal to establish clear and enforceable working relations with Member States in terms of providing reasonable assistance to verify the financial position of the accused. Under the supervision of the Deputy Registrar, the financial investigator shall be responsible for the provision of legal, technical and investigative advice and direction in relation to complex and sensitive investigations, in particular in connection with indigence, fee-splitting or fee-splitting arrangements and tracing, freezing and confiscation of financial assets of suspects and accused persons, including issues of search and seizure. In addition, the investigator will be responsible for developing and implementing investigative strategies, participating in financial investigation missions and contacting and liaising with specialists, in particular bank[s] financial authorities in various countries.

699. The Deputy Registrar is responsib[le] implementation of the recommendation.

700. **In paragraph 68, the Board recommende[d] the Tribunal implement the formal interdict[ion] fee-splitting and gift-giving from counsel t[o] clients or any person directly or indirectly rel[ated] the accused, as well as the recruitment of r[e]lat[ives] by the defence counsel.**

701. The Tribunal has formally interdicted [counsel] from splitting fees and giving gifts to their cl[ients] any person directly or indirectly related to the a[ccused]. The Code of Conduct was amended during t[he] plenary session of the judges through the intro[duction] of article 5 bis, which not only expressly prohib[its] splitting between members of the defence te[am] their clients but also prohibits counsel from givi[ng] to their clients under normal circumstances. Gif[ts] persons directly or indirectly related to the accu[sed] limited to items of basic necessity and are su[bject] inspection at the United Nations detention facili[ty].

702. As regards the recruitment of relatives [of] defence counsel, the Tribunal has establish[ed] internal procedure for the vetting of defence members. Each defence team member has to [provide] the Lawyers and Detention Facility Mana[gement] Section with detailed information on his [or her] background and family. Recruitment is done [on the] basis of the information provided, and should [any] the information provided by a defence team [member] prove to be incorrect or false and thus reveal [undisclosed] links with any detainee, the Tribunal is at lib[erty] terminate his or her contract without notice.

703. The Registrar and the Chief of the Lawy[ers] Detention Facility Management Section are resp[onsible] for implementation of the recommendation.

704. **In paragraph 77, the Board recommende[d] the Tribunal consider the redeployment of p[osts] order to eliminate the backlog of work and im[prove] the efficiency of the Language and Conf[erence] Services Section.**

705. The Tribunal is in the process of implem[enting] this recommendation, which aims to secure [the] revisers subject to the availability of posts [at] appropriate level.

706. The Chief Administrative Officer is responsible for implementation of the recommendation.

707. **In paragraph 79, the Board recommended that the Tribunal implement control measures to ensure that invoices are processed and payments are made on a timely manner.**

708. The recommendation has been accepted and has been implemented accordingly.

709. The Chief of the Procurement and Finance Sections are responsible for implementation of the recommendation.

710. **In paragraph 81, the Board recommended that the Tribunal include an opening date and time in the invitation for bidding to allow all potential contractors to attend the opening in compliance with the approved directives.**

711. With effect from 1 January 2002, bidders are invited to send representatives to attend the opening of bids.

712. The Chief Administrative Officer and the Chief of Procurement are responsible for implementation of the recommendation.

713. **In paragraph 85, the Board recommended that the Tribunal immediately apply reduced rental levels and deduct any overpayments already made and renegotiate the reduced amount in United States dollars to minimize currency exchange risks.**

714. The recommendation has been fully implemented. The Tribunal has taken action to recover from the lessor the amount of $13,686.64 for cleaning and maintenance costs covering the period from 1 November 2001 to 30 June 2002. Moreover, the lessor has been advised in writing that the Tribunal will deduct from the rent as compensation for cleaning services the amount of $0.18 per square metre of rented space per month effective 1 January 2002.

715. The Chief Administrative Officer is responsible for implementation of the recommendation.

716. **In paragraph 90, the Board recommended that the Tribunal review and analyse the use of general temporary assistance and that those positions of a strategic nature be budgeted for in a fixed-term contract.**

717. On the recommendation of the committee established by the Registrar to review the necessity of general temporary assistance posts, 75 posts were identified as non-essential and were recommended for discontinuance effective 1 June 2002. A total of 21 such posts were placed against approved regular budget posts. However, owing to urgent operational requirements, the Tribunal continues to rely on the use of temporary posts in view of the unavailability of permanent posts within the current budget. The Tribunal has had little success in securing the approval of the Advisory Committee on Administrative and Budgetary Questions for the conversion of general temporary assistance posts to regular budget posts. The Tribunal will once again, in its budget submission for the biennium 2004-2005, request the approval of 100-series posts so that positions of a strategic nature, which have been funded under general temporary assistance, can be budgeted for on a fixed-term contract basis.

718. The Chief Administrative Officer and the Chief of Personnel are responsible for implementation of the recommendation.

719. **In paragraph 92, the Board recommended that the Tribunal ensure that it conducts reference checks and interviews. Key posts should get priority treatment in deciding which applicants will be interviewed.**

720. The recommendation has been accepted and fully implemented.

721. The Chief Administrative Officer and the Chief of Personnel are responsible for implementation of the recommendation.

N. International Tribunal for the Former Yugoslavia

722. Action taken or to be taken to implement the recommendations of the Board of Auditors set out in its report on the Tribunal for the biennium ended 31 December 2001[19] is described below.

723. **In paragraph 12 (a), the Board recommended that the Tribunal improve the monitoring of commitments and consider an alternative solution to Tribunal directive 1/94, articles 23 and 24, with a view to replacing the present hourly rate system for counsel with a lump-sum or flat-rate approach for legal aid payments.**

724. The recommendation will be fully implemented as from 1 September 2002. The amended directive on assignment of defence counsel was promulgated and entered into force on 26 August 2002. Article 22 (A) of the amended directive contains a provision whereby services of defence counsel are remunerated by a lump sum.

725. The responsibility for overseeing the implementation of this recommendation lies with the Chief Administrative Officer.

726. **In paragraph 12 (b), the Board recommended that the Tribunal comply with the financial rules relating to the proper custody of non-expendable equipment and carry out regular physical checks on its assets, if need be, in conjunction with other United Nations field teams.**

727. The recommendation has been implemented. The Tribunal is undertaking a full inventory of all assets, including those held in the field, which is scheduled to be completed by December 2002. Furthermore, inventory exercises will be scheduled as required by the rules.

728. The responsibility for overseeing implementation of the recommendation lies with the Chief Administrative Officer.

729. **In paragraph 12 (c), the Board recommended that the Tribunal seek the endorsement of its completion strategy by the Security Council, with a view to promptly implementing it.**

730. The implementation of the recommendation is under way. The Tribunal has drafted a strategy that was submitted to the Security Council on 23 July 2002. This will be the basis for future budgets, the Tribunal's organs are planning their activities and applying their policies in accordance with the completion strategy.

731. The responsibility for overseeing implementation of the recommendation lies with the Registrar.

732. **In paragraph 12 (d), the Board recommended that the Tribunal: (a) formulate working definitions for such terms as "indigence" and "sufficient means"; (b) establish clear and quantitative criteria to determine whether a suspect or accused person qualifies or partly qualifies for legal aid, including the determination of a financial threshold; and (c) develop a formula to determine the contributions to be made by the persons who qualify for partial legal aid.**

733. Part (a) of the recommendation has been implemented. Article 6 (B) of the directive on assignment of counsel contains a working definition. Part (b) has been partially implemented. A threshold will be developed on a case-by-case basis taking into account the assets and liquidity of a defendant and the requirements of his or her defence. Part (c) has been partially implemented. A calculation will be developed on a case-by-case basis taking into account the assets and liquidity of a defendant and the requirements of his or her defence.

734. The Chief, Office for Legal Aid and Detention Matters, is responsible for implementation of the recommendation.

735. **In paragraph 12 (e), the Board recommended that the Tribunal designate at random the counsel to be paid by the Tribunal from a list of available lawyers established by the Registrar's office.**

736. The recommendation has been partially implemented. The amended directive emphasizes the qualification requirements for counsel, thus limiting the choice of the accused. A proposal of the Registry to designate counsel from the Tribunal's list at random will be submitted for approval by the judges in December 2002.

737. The Chief, Office for Legal Aid and Detention Matters, is responsible for implementation of the recommendation.

738. **In paragraph 12 (f), the Board recommended that the Tribunal clarify the criteria for the content of invoices and the evaluation of the reasonableness of the accounts of defence teams, and consider putting a pre-trial ceiling on legal aid.**

739. The recommendation has been partly implemented. A public policy of the Registry for defence invoicing and expenses is being drafted, and publication is expected in late September 2002. The amended directive also establishes ceilings for the pre-trial, trial and appeals phases of a case.

740. The Chief, Office for Legal Aid and Detention Matters, is responsible for implementation of the recommendation.

741. **In paragraph 12 (g), while acknowledging the improvements recently designed or implemented for**

granting legal aid and managing defence counsel bills, the Board was of the opinion that the provisions of the Rules of Procedure and Evidence and the way in which they were applied had so far limited the cost-effectiveness of the management of legal aid and of overall budget control.

742. The Tribunal has taken note of the Board's recommendations. However, as previously noted in the Board's report, the Tribunal believes that excessive interference with the freedom of the defence would put into question the procedural guarantees for defendants and might invalidate the entire judicial process.

743. **In paragraph 12 (h), the Board of Auditors recommended that, as a matter of urgency, the Tribunal implement the code of professional conduct for defence lawyers and the rules for their enforcement, to be included in the Rules of Procedure and Evidence.**

744. This recommendation has been implemented. The code was amended in July 2002 and the amendments entered into force on 26 August 2002.

745. **In paragraph 12 (i), the Board recommended that the Tribunal render illegal and effectively prohibit overbilling and frivolous practices by counsel, fee-splitting and gift-giving between counsel and their clients or any other person directly or indirectly related to the accused, as well as the recruitment of relatives by counsel.**

746. The recommendation has been implemented. The amended code of conduct contains such prohibitions and procedures.

747. **In paragraph 12 (j), the Board recommended that the Tribunal create a bar acting in accordance with international best practices on legal ethics, with disciplinary power in case of violation of the code of professional conduct and adequate safeguards to enable the Tribunal to be a party to disciplinary proceedings and to enforce sanctions without undue delay.**

748. The recommendation is being implemented. The establishment of a defence bar has been announced by defence counsel for 14 September 2002 on the basis of a statute that was seen by the judges. This statute foresees the participation of counsel in the disciplinary regime of the code of conduct.

749. The Chief, Office for Legal Aid and Detention Matters, is responsible for implementation of the recommendations.

750. **In paragraph 12 (k), the Board recommended that the Tribunal include in its staff regulations and rules a prohibition on the recruitment of staff members, directly or indirectly, by defendants for a given number of years after separation from Tribunal service, and add a similar prohibition in rule 44 of the Rules of Procedure and Evidence on counsel qualifications.**

751. The implementation of the recommendation is ongoing. An amendment to the Tribunal's contractual practice including a regulation on the participation of former staff members in defence activities is under way, but it depends on the appraisal of the issue for the Rules of Procedure and Evidence by the judges. The amended code of professional conduct on conflicts of interest contains a rule on the participation of former staff members in defence activities. An amendment to rule 44 of the Rules of Procedure and Evidence is being proposed to the judges for a decision in December 2002.

752. The Chief, Office for Legal Aid and Detention Matters, is responsible for implementation of the recommendation.

753. **In paragraph 12 (l), the Board recommended that the Tribunal review with United Nations Headquarters the rules applying to United Nations officials drawing simultaneously United Nations salaries for active duty and United Nations pensions, and take steps towards a prompt clarification to that effect.**

754. The recommendation has been duly noted. The Tribunal will continue to communicate with United Nations Headquarters as it stays abreast of any decisions made relating to a review of the rules in this matter. The Tribunal stands ready to provide comment to Headquarters.

755. The responsibility for overseeing implementation of the recommendation lies with the Chief Administrative Officer.

756. **In paragraph 27, the Board recommended that budgets and cost plans for trust funds be prepared on a sound and accurate basis, taking into account adequate support income.**

757. The recommendation has been implemented. The Tribunal will seek and incorporate information on programme support costs charged by Headquarters in support of the Tribunal's extrabudgetary activities into its budgets and cost plans.

758. The responsibility for overseeing implementation of the recommendation lies with the Chief Administrative Officer.

759. **In paragraph 29, the Board recommended that United Nations Headquarters and the Tribunal review their communication procedure in order to secure a coherent separation of tasks and reporting on the financial statements.**

760. The recommendation was implemented in the June 2002 financial statements. The Tribunal agrees with Headquarters on the financial reporting and will no longer report future commitments in the financial statements.

761. **In paragraph 39, the Board notes, without interfering with the course of justice, that under the present conditions, the Tribunal is unlikely to meet its draft completion strategy target of 2010. The Board recommends that, should the United Nations wish to bring under control the increasing final cost of the Tribunal, binding budget ceilings, final deadlines, related indicators and palliatives to roadblocks should be implemented by the Tribunal as a whole and by each of its components.**

762. The recommendation has been partly implemented. The Tribunal has already established a number of limits, such as for legal aid, and will do so in all areas of the Tribunal's operations. The Tribunal has established more than 120 performance indicators so as to follow the performance and development of the Tribunal's judicial process.

763. The responsibility for implementation of the recommendation lies with the Registrar.

764. **In paragraph 41, the Board noted, while recognizing the independence from the United Nations of the new International Criminal Court created in The Hague, that the Tribunal's downsizing could be eased by the redeployment of staff and equipment through appropriate agreements between the two jurisdictions.**

765. The Tribunal appreciates the practical nature of the recommendation and agrees that the Tribunal and the International Criminal Court share common features, objectives and goals. It must be emphasized, however, that the two are separate legal bodies with not only essentially different structural frameworks, but also, more importantly, fundamentally different mandates.

766. In view of the above, the Tribunal maintains that it would not be in a position to enact such formal structures as are proposed in the recommendation. The Tribunal would be ready, however, to assist and cooperate within the parameters of any formal agreements concluded between the United Nations and the International Criminal Court.

767. The responsibility for implementation of the recommendation lies with the Registrar.

768. **In paragraph 43, the Board recommended that, while enforcing due process of law, the Tribunal: (a) amend its rules to exercise greater control over decisions affecting its budget and expenditure deriving from the proceedings; and (b) implement strict rules regarding the number of witnesses summoned to The Hague and the hearing of their testimony.**

769. The recommendation has been partially implemented. The Registry has no control over, but has a certain amount of input into, judicial decisions, many of which affect the Tribunal's expenses. The Registrar seeks to increase this input in formal and informal ways. The Registrar enacted strict rules in June 2002 on witness presence in The Hague in order to reduce costs.

770. The responsibility for overseeing implementation of the recommendation lies with the Registrar.

771. **In paragraph 56, the Board recommended that the Tribunal establish clear and enforceable working relationships with Member States to ensure that they provide all reasonable assistance necessary to verify the financial position of the accused.**

772. The recommendation has been implemented. The Registrar has requested the assistance of Member States in both standard formal requests and informal communications. The Registry's requests are enforceable in accordance with the Tribunal's statute.

773. The responsibility for overseeing implementation of the recommendation lies with the Registrar.

774. **In paragraph 72, while acknowledging the concerns of the Tribunal about the legal rights of the defence, the Board recommended lowering the yearly and total amounts for legal aid as a preventive measure against potential fee-splitting as well as for cost-saving purposes.**

775. The recommendation has been implemented. The payment for defence teams has to support the principle of equality between the parties. The Registry lowers the payable amounts as much as possible without endangering the smooth and speedy running of the judicial process.

776. The responsibility for overseeing implementation of the recommendation lies with the Registrar.

777. **In paragraph 78, the Board recommended that the Tribunal re-examine its translation policy and facilities with a view to reallocating priorities and being far more selective, choosing documents that are likely to be of use to the Court. The Board commended the Tribunal for having undertaken a review of the staffing allocation for translation and for establishing a database and a document control system to monitor translation workflows and costs.**

778. The Registry established a translation control working group in March 2002 to identify ways of controlling documentation submitted for translation. Plans for a document control function have been conceived.

779. The responsibility for overseeing implementation of the recommendation lies with the Deputy Registrar.

780. **In paragraph 86, the Board recommended that United Nations Headquarters provide full accountability, especially at the budgeting stage, to the Tribunal and similar institutions on the support costs it charges.**

781. This recommendation has been brought to the attention of United Nations Headquarters, in particular the Budget Division. It should also be noted that the implementation of this recommendation by Headquarters would allow the Tribunal to implement the related recommendation contained in paragraph 27 of the report of the Board of Auditors.

782. The responsibility for overseeing implementation of the recommendation lies with the Chief Administrative Officer.

783. **In paragraph 90, the Board recommended that the Tribunal introduce technical improvements in its computerized procurement and travel systems, and management agreed.**

784. The recommendation has been implemented; the Tribunal has implemented the recommended technical improvements.

Notes

[1] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5* (A/57/5), vol. III, chap. II.

[2] Ibid., *Supplement No. 5* (A/57/5), vol. IV, chap. II.

[3] Ibid., *Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. IV, chap. II.

[4] Ibid., *Fifty-seventh Session, Supplement No. 5A* (A/57/5/Add.1), chap. II.

[5] Ibid., *Supplement No. 5B* (A/57/5/Add.2), chap. II.

[6] Ibid., *Supplement No. 5C* (A/57/5/Add.3), chap. II.

[7] Ibid., *Supplement No. 5D* (A/57/5/Add.4), chap. II.

[8] Ibid., *Fifty-fifth Session, Supplement No. 5D* (A/55/5/Add.4), chap. II.

[9] Ibid., *Fifty-seventh Session, Supplement No. 5E* (A/57/5/Add.5), chap. II.

[10] Ibid., *Fifty-second Session, Supplement No. 7* (A/52/7/Rev.1), para. X.25.

[11] Ibid., *Fifty-sixth Session, Supplement No. 5E* (A/56/5/Add.5), chap. II.

[12] Ibid., *Fifty-seventh Session, Supplement No. 5F* (A/57/5/Add.6), chap. II.

[13] Ibid., *Supplement No. 5G* (A/57/5/Add.7), chap. II.

[14] Ibid., *Fifty-fifth Session, Supplement No. 5G* (A/55/5/Add.7), chap. II.

[15] Ibid., *Fifty-seventh Session, Supplement No. 5H* (A/57/5/Add.8), chap. II.

[16] Ibid., *Supplement No. 5I* (A/57/5/Add.9), chap. II.

[17] Ibid., *Supplement No. 5J* and corrigendum (A/57/5/Add.10 and Corr.1), chap. II.

[18] Ibid., *Supplement No. 5K* and corrigendum (A/57/5/Add.11 and Corr.1), chap. II.

[19] Ibid., *Supplement No. 5L* (A/57/5/Add.12), chap. II.